BiG

ANNUAL REPORT 2017

T.1 (Euro)

Consolidated (Audited)	2017	2016	2015	2014
Net Interest Margin	15,953,463	25,213,609	23,733,313	25,138,497
Net Commissions and Fees	10,591,948	7,661,022	12,702,261	11,442,574
Treasury and Capital Markets	78,420,179	44,308,971	112,762,645	132,807,026
Other Income	-1,228,249	-1,491,357	-491,846	-13,260
Operating Income	**103,737,340**	**75,692,245**	**148,706,373**	**169,374,837**
Personnel Expenses	-23,089,898	-18,580,524	-23,363,479	-24,124,063
Other Administrative Costs	-9,627,285	-7,658,552	-12,261,590	-9,276,997
Operating Expenses	**-32,717,183**	**-26,239,076**	**-35,625,069**	**-33,401,060**
Operating Cash Flow	**71,020,157**	**49,453,169**	**113,081,304**	**135,973,777**
Amortizations	-2,109,865	-1,575,628	-1,291,237	-1,028,013
Provisions	2,001,590	10,883,496	-2,764,774	-10,255,955
Imparities	265,697	-318,071	-1,423,987	-209,465
Operating Results	**71,177,579**	**58,442,966**	**107,601,306**	**124,480,344**
Results of Subsidiaries	0	0	0	175,774
Profit Before Income Tax	**71,177,579**	**58,442,966**	**107,601,306**	**124,656,118**
Current Income Tax	-18,520,409	-14,804,968	-32,507,084	-41,849,894
Deferred Tax	-310,552	74,339	-585,043	-277,027
Net Income	**52,346,618**	**43,712,337**	**74,509,179**	**82,529,197**

Individual	2017	2016	2015	2014
Net Income	**50,823,109**	**43,429,149**	**74,854,898**	**82,340,760**

Selected Indicators	2017	2016	2015	2014
Total Net Assets	1,851,222,072	1,759,030,349	1,542,063,419	1,444,516,643
Shareholder Funds	339,533,229	265,611,138	276,364,401	261,369,251
Own Funds	329,790,312	290,951,338	312,743,080	261,299,611
Client Deposits	1,035,793,975	1,049,049,853	885,485,867	804,736,461
Non-Performing Loans / Total Loans	0.05%	0.03%	0.05%	0.1%
Loans / Client Deposits	29.8%	41.7%	42.6%	16.9%
Loans / Total Net Assets	16.7%	24.9%	24.4%	9.4%
Assets Under Supervision *	3,189,326,697	2,841,439,509	2,810,927,292	2,546,898,558

** Assets under management, held in custody and client deposits*

Profitability	2017	2016	2015	2014
Return on Average Assets (ROA)	2.9%	2.6%	5.0%	6.2%
Return on Average Equity (ROE)	17.3%	16.1%	27.7%	35.2%
Operating Income / Average Net Assets	5.7%	4.6%	10.0%	12.7%

Solvency	2017	2016	2015	2014
TIER 1 Capital Ratio	45.1%	31.6%	33.2%	35.1%
Total Capital Ratio	45.1%	31.6%	33.2%	35.1%

Efficiency	2017	2016	2015	2014
Net Interest Income / Earning Assets	0.9%	1.5%	1.6%	1.8%
Operating Expense / Operating Income	33.6%	36.7%	24.8%	20.3%
Personnel Expense / Operating Income	22.3%	24.5%	15.7%	14.2%

Source: BiG

FINANCIAL INDICATORS

MANAGEMENT DISCUSSION

INTRODUCTION

The Bank

Banco de Investimento Global, S.A. (BiG, or the Bank) is a specialized savings and investment bank with headquarters in Lisbon. The Bank is licensed to operate in all business areas open to the banking sector and operates primarily in Portugal.

Founded in 1998, the Bank's capital is dispersed, stable, and privately held by a number of mainly Portuguese individual and institutional investors (see Shareholder Base in this section and Note 35). The Bank's core activity is transparent and focused, with the emphasis on savings, investment and advisory activities directed toward both individual and corporate/institutional client segments. We concentrate commercially on client acquisition, asset accumulation, and asset management. Operationally, we focus on asset quality, liquidity and interest rate risk management, reliable execution, capital preservation and the control of business risks in order to provide acceptable returns to our shareholders. Above all, we seek to ensure a pattern of secure, sustainable growth into the future, and to remain a safe harbor for the assets and savings of our clients.

To this end, the Bank's solvency and other operating ratios are exceptionally strong and have remained so on a consistent basis. Since the launch of the Bank nearly 20 years ago, and its last relevant capital call on Shareholders in 2001, BiG has relied on internally-generated and largely-retained earnings to finance its growth – after paying regular dividends – and to expand and improve on its business model. In contrast to the majority of the banking sector in Portugal, we have never requested, nor required assistance, capital or guarantees from any outside or official source since the Bank's inception.

BiG's business model is supported by technology-driven, scalable processes and an operating culture that seeks to limit operational errors or credit losses to negligible amounts. We favor quality over size or market share in all aspects of our business. We are not focused on commercial lending and have never sought to follow or to replicate traditional or universal banking models.

We are independent of any banking, specific shareholder or special interest groups. This financial independence brings with it the freedom to think and innovate, but also the responsibility to exercise a high degree of financial discipline. It also requires demanding risk management and a strong reliance on many years of experience in financial markets, and a healthy respect for the risk/reward nature of our business.

What we do

Broadly speaking, we combine the experience of our people, our capital and our ideas to help clients, shareholders and the stakeholders we serve, to preserve and to grow their financial assets. Specifically, we:

Advise corporate, institutional and individual clients on market risk, on appropriate asset allocation, and strategic issues associated with their businesses;

Execute transactions in regulated markets or OTC (Over the Counter), depending on financial needs or risk-appetites of our clients;

Invest in mainly liquid, high-quality assets, which helps to finance companies and economies, and advise our clients on how to invest according to their profile and understanding of the markets;

Manage our Balance Sheet, our exposure to risk and, under specific arrangements, the assets of our clients;

Preserve our reputation and the integrity of our business;

Grow our capital, along with the savings and assets of our clients, in a secure and reliably-controlled operating environment;

Innovate, by encouraging and developing ideas that derive from our views of the market, and which spring from the entrepreneurial foundations of the Bank.

For individuals, the Bank provides savings, brokerage, custody, wealth management and general banking and payment services. For corporate and institutional clients, services include market risk management, treasury, brokerage, custody, and corporate advisory services, including debt finance. The Bank's treasury and capital markets area concentrates on liquidity and balance sheet management. This area is also central to our culture of managing market-related and credit risks.

The Bank generates most of its revenues in Portugal. The asset side of the Balance Sheet, as a rule, reflects geographic and sectorial diversity, which may vary over time, depending on market conditions and business opportunities. It also reflects our policy on maintaining exceptional levels of liquidity. The liability side of the Balance Sheet focuses on stable, retail deposits and capital growth. The Bank interacts with clients through a number of integrated channels. Individual clients are served by the online investment platform, www.big.pt, and investment consultants located in 18 offices in key central and regional locations. Corporate and Institutional clients are the focus of sales and product teams based mainly in Lisbon and Oporto.

The Bank's brokerage platform is supported by its direct membership in NYSE Euronext, which includes domestic and key international exchanges. In addition, the Bank maintains partnership arrangements with global financial services suppliers and clearing-houses so as to provide access for our clients to a number of other major equity, options and futures exchanges. Platforms for other OTC products, bonds or mutual funds, usually combine in-house technology solutions and agreements with counterparties and providers.

Where we Operate

BiG is based in Lisbon and operates 18 sales/advisory offices throughout Portugal. The Bank also has an investment banking unit in Mozambique, which began activity in 2016.

Our Business Lines

Wealth Management and Advisory Services

BiG´s client-facing businesses focus on individual and wholesale clients with a wide range of needs and expectations. We work with clients using an integrated multi-channel approach, backed by a proprietary banking and trading platform and a network of sales offices in the country's key geographic markets.

The combination of internet-based platforms and personal financial consultants helps clients execute banking transactions, manage savings and invest through a number of the world's most important regulated markets. This business provides banking services and solutions for clients ranging from the self-directed to those seeking assisted investing, with tools for daily banking needs and an array of traditional savings products and investment funds.

For private clients, institutional investors and middle market to large corporations, the Bank's professionals from key product areas design specific financial solutions, execute trading and investment strategies, and help clients to manage their assets and business risks. The broad range of services we offer includes trading in regulated markets, market research, structuring over the counter products, asset management, market risk management and corporate finance advisory services.

Treasury and Capital Markets

This business area focuses on the Bank's investment and credit activities, centralizes liquidity and balance sheet management, and is central to the Bank's culture of managing and analyzing market risks. In addition to managing interest rate risk associated with the Bank's credit portfolio, the area provides expertise and information for internal consumption on markets, covers the market risk component of solutions sold to clients, is active in product design for both retail and wholesale customers and manages the treasury and risk positions of the Bank.

How we are Regulated

The Bank's activities in Portugal are regulated by the following entities:

Banco de Portugal (Portuguese Central Bank): date of special registry 5 February 1999, under Code Number 61. www.bportugal.pt.

Comissão do Mercado de Valores Mobiliários (CMVM – Securities Market Commission): date of authorization 8 March 1999, under Code Number 263. www.cmvm.pt.

Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF – Insurance and Pension Funds Supervisory Authority): registered as an adjunct insurance mediator. www.asf.com.pt.

The Bank´s activity in Mozambique is regulated by the following entities:

Banco de Moçambique (Bank of Mozambique) registry of 16 January 2016.

Bolsa de Valores de Moçambique (BVM – Securities Market Regulator): date of authorization 14 December 2015.

Because of its size, at the European level, BiG is considered a "Less Systemically Important" institution and is supervised directly by the Bank of Portugal. The European Central Bank directly supervises "Systemically Important" institutions. At the same time, the Bank is subject to the same supervisory "single rulebook" as all other banks under European Banking Authority (EBA) guidelines.

Summary of 2017 Results

The Bank generated consolidated net income of €52.3 million for 2017, *compared with €43.7 million for 2016, and €74.5 million for 2015;*

Earnings per share (EPS) were €0.34 for 2017 – excluding the dilution resulting from a December rights issue (with 15,947,388 new shares issued at year end) *- as compared with €0.28 per share for 2016 and €0.56 per share in 2015;*

The Bank's Net Operating Revenues for 2017 were €103.7 million, *compared with €75.7 million for 2016 and €148.7 million for 2015;*

Return on Average Equity (ROE) for 2017 was 17.3%, *as compared with 16.1% in 2016 and 27.7% in 2015;*

The Book Value (BV) of BiG's common stock stood at €1.97 at 31/12/17, *versus €1.70 for 2016, and €1.77 per share in 2015;*

BiG's Core Tier 1 ratio at 31/12/17 was 45.1% ("phasing-in"), *31.6% at year-end 2016 and 33.2% at year-end 2015. On a fully "phased-in" basis, the Core Tier 1 ratio at 31/12/17 was 43.4%;*

The level of the Bank's Net Assets *was 5.5 times Shareholder Funds at 31/12/17, versus 6.6 times at 31/12/16, and substantially below that of most competitors;*

The consolidated Liquidity Coverage Ratio at 31/12/17 stood at 312% *versus 228% for the prior year;*

The ratio of Non-performing loans/Total Loans was 0.05%, or in line with the historical average.

The results reflect stronger results from the Treasury and Capital Markets business and growth in the Bank's Wealth Management area, with higher revenues, in particular, from the institutional client segment. Of note was Management's decision to contain the size of the Balance Sheet, particularly during the second half of 2017, in an environment of generally squeezed credit spreads for investment grade, fixed income securities, which comprise the largest portion of the asset base. The business environment overall featured an improving outlook for global growth, better credit ratings, and abundant liquidity, which resulted in declining opportunities to acquire assets at appropriate levels of return. This led to greater focus on capital preservation and discipline with respect to the size of the balance sheet, and related market and credit risks.

An overview of key income statement and balance sheet items is provided in T.2.

More detailed analysis of financial indicators and results of business segments may be found in RESULTS OF OPERATIONS, and in the NOTES TO THE CONSOLIDATED ACCOUNTS.

For 2017, substantially all of the Bank's revenues were generated in Portugal, with some promising contribution recently from the Bank's only international presence in Mozambique. Activity on the asset side of the Balance Sheet focused on high quality, liquid securities in the available for sale portfolio. As the Bank's strategy is not lending-intensive, the balance sheet contains a relatively low level of loans, which are, by their nature, less liquid and, in current market conditions, less interesting from a risk/return perspective. Credit risks and concentrations are managed actively in the light of overall market conditions and investor sentiment with respect to interest rates.

Our analyses of credit concentrations and earnings opportunities consider, above all, Management's expectations with respect to trends in credit quality, interest rates, and market liquidity and how these issues may be influenced by political, economic and regulatory movements. Because of the non-investment grade nature of most of the available, possible credit concentrations in Portugal - at least until the latter part of 2017 - approximately 50% of the Bank's exposure involved country risk exposures other than Portugal, including other European and U.S. country risk exposure. For much of the year, political events in Portugal, along with macro events in Europe and globally, influenced the Bank's key financial indicators. Events associated with negotiations on Brexit, U.S. politics and economic growth and general stability in Europe, were among the themes affecting markets during the year.

In this environment, the Bank's business model performed reasonably well, with profitability improving, reinforced levels of capital solvency and promising returns from investments in Wealth Management, indicating that the mix of businesses we manage continues to show resilience and fundamental soundness. The Bank's performance in 2017 was a result of our ability to manage the effects of a combination of factors, which affect our business in one way or another:

Financial Metrics

- Modest, deliberately contained growth in the average level of quality, liquid earning assets, amid higher risks, lower yields and fewer quality investment opportunities;

- Higher than average core solvency ratios;

- Continued decline in prices of assets, and relatively low interest rates globally;

- Lower net interest margin and generally high levels of market liquidity;

- Slower growth in deposits, versus higher levels of interest by clients in managed products and in market risk appetite;

- Overall, sound credit quality and internal controls and the continued, effective absence of credit-related losses.

Strategic factors:

- Slightly improved, but still fundamentally difficult competitive environment, continued structural weakness in the Portuguese banking sector and increasing regulatory challenges;

- The growing responsibility of the banking sector toward the Portuguese Resolution Fund, the vehicle used to "resolve" and eventually sell, the former Banco Espírito Santo (now Novo Banco);

- Focus by Management on financial discipline, accounting transparency, and low gearing of the balance sheet, amid significant changes in International Accounting Standards and European regulation; transition to IFRS 9;

- Unchanged structural view by Management – on maintaining asset quality, high levels of liquidity and capital, controls over risks and overall operational efficiency – regardless of market conditions or economic trends;

Key Income Statement Items

Net Operating Revenues for 2017 rose 37% to €103.7 million. Overall, results benefitted from higher revenues from Treasury and Capital Markets and growing commissions from brokerage and asset

T.2 (Euro 000)

Summary of Results	2017	2016	2015	2014
Total Net Revenue	103,737	75,692	148,706	169,375
Non Interest Expense	-32,560	-17,249	-41,105	-44,894
Taxes	-18,831	-14,731	-33,092	-42,127
Net Income	52,347	43,712	74,509	82,529
Shareholders Funds	339,533	265,611	276,364	261,369
Own Funds	329,790	290,951	312,743	261,300
Total Net Assets	1,851,222	1,759,030	1,542,063	1,444,517
Loans	309,094	437,485	376,820	136,162
Deposits	1,035,794	1,049,050	885,486	804,736
TIER 1 Capital Ratio	45.1%	31.6%	33.2%	35.1%
Total Capital Ratio	45.1%	31.6%	33.2%	35.1%

Source: BiG

management activities, which offset lower net interest margin and a rise in compensation expenses and operating costs. This latter item was in line with growth in revenues. Positive contributions also included a reversal of provisions and the relative absence of imparities. Business confidence in segments most associated with BiG's business model remained positive for much of the year, in spite of the positioning of the Trump administration and continued, uneven pace of reform in Europe.

Equities markets rose and yields and credit spreads continued to decline, generally across the board. In Europe, interest rates remained at historically low levels - leading to an equally historical low rate of savings in Portugal, at least. Germany sought to put together a government, Brexit negotiations continued and peripheral economies benefitted from a number of cyclically positive alignments. In general, Management moderated risk-taking and growth in the balance sheet, in particular, during the second half of the year. We also managed large levels of liquidity and maintained a neutral stance with respect to the levels of confidence and on-going consumer credit boom and reduction of credit spreads underway domestically.

Because of a lower appetite for risk and market rates near zero, among other factors, Net Interest was the only component of Operating Income which declined year on year. Gross interest income was unchanged overall for the year, but the expense portion increased on higher average levels of cash held and management of the interest rate risk of the fixed income securities that make up the majority of the Bank's earning assets.

As funding costs rose, the average holding period for assets held available for sale declined. For some of the same reasons that Net Interest margin fell, Non-interest-related income, which is a key component of the Bank's business, increased significantly with gains in both fixed income and commissions from wealth management activities. Year on year, primary operating expenses – salary, administrative and amortization costs – increased because of gradual headcount growth and higher levels of compensation. General administrative expenses also rose in line with staff increases, investments in new business lines and marketing-related costs. Taxes rose on higher pre-tax income. This category included the maintenance of special taxes levied on the banking sector in Portugal.

Net interest margin. This category dropped by 36.5% to €16 million, as compared with €25.2 million for 2016. Yields on a higher average level of earning assets declined, while funding costs rose, as referred to above. Also affecting net interest margin, which averages around 20% of the Bank's operating income annually, was a decision to hold larger than usual levels of liquidity, rather than increase risk by acquiring lower-yielding assets where Management considered the risk/return profile inappropriate. Given the overall profile of funding and liquidity, and in spite of the lower costs, relative to retail deposits, the Bank did not use ECB funding facilities, in spite of large amounts of securities eligible for repo, for the entire year, and generally reduced usage of repo lines made available by other counterparties, as well.

Commissions. Net commissions from brokerage, retail services, asset management and advisory activities rose 38.3% to €10.6 million, from €7.7 million for the prior year. Commissions from retail and institutional brokerage, as well as corporate advisory remained steady, while revenues from asset management, and banking services rose, on gradual growth in mainly the institutional client business.

Treasury and Capital Markets. Investing and credit activities associated with client trading, market making, and the revenues generated by managing the Bank's available for sale portfolio of fixed income securities, as well as income from other investments in other credit products, increased 77%, net of hedging related costs, and contributed €78.4 million to total net operating revenues in 2017. The majority of revenues in this category were realized gains associated with a diversified portfolio of fixed income securities involving liquid asset classes and a variety of country risks. In managing the credit and securities portfolios in what has been a challenging operating environment, the Bank's priorities were the maintenance of high levels of liquidity in its inventory of earning assets and intense focus on their overall quality. As these are core priorities, Management expects this trend to continue.

Operating Expenses. For 2017, key operating expenses rose 24.7% to €32.7 million. As in prior years, Management seeks to build as much flexibility as possible into the expense base in order to ensure a certain level of correlation with anticipated rises or falls in revenues in a given year. This allows higher investment and spending in years of revenue growth, and the reverse, in years when market conditions are less favorable. At the same time, Management seeks to keep this flexibility within reasonable bounds, given the relative rigidity, or unpredictability, of legislation and regulation.

Compensation expenses were 24.3% higher in 2017, at €23.1 million, General Administrative Costs rose 25.7% to €9.6 million, year-on-year, and amortizations also increased to €2.1 million, or up 33.9% - all in line with investments in additional staff, systems, marketing. As a percentage of Operating Income, compensation expense, which always represents the largest portion of operating expenses, nevertheless declined to 22.3% versus 24.5% in 2016. Meanwhile, operating expenses/operating income dropped to 33.2% from 36.7% in 2016. Also known as the Bank's "efficiency ratio," the relationship measures how the Bank uses its cost base to produce operating revenues. Net Provisions were positive €2.0 million, versus positive €10.9 million in the 2016, on reversal of general provisions for risks during the past two years.

Pre-tax income and taxation. Pre-tax income for 2017 was €71.2 million, as compared to €58.4 million in 2016, and €107.6 million in 2015. Current and deferred taxes for 2017 were €18.8 million in 2017, as compared with €14.7 million in 2016. Including 2017, the total of nearly €160 million in direct corporate taxation for the period 2011-2017, has made BiG one of the highest corporate taxpayers for its size among financial institutions in Portugal. For 2017, taxation represented 26.5% of pre-tax income, versus 25.2% in 2016.

Key Balance Sheet Items

Total Net Assets at 31 December 2017 were €1.85 billion, a 5% rise when compared to €1.76 billion at the prior-year end. The Bank's main earning assets, which are managed in order to maximize liquidity and control concentrations of risks, represented, for the most part, a diversified available for sale portfolio (AFS under IAS 39), comprising mainly liquid, fixed income securities. This portfolio stood at about €1.3 billion, or 20% above the prior year figure of €1.083 billion. Assets classified as loans to clients declined to €309 million, when compared to €437.5 million at year-end 2016, because of lower volumes of Residential Mortgage Backed Securities (RMBS).

As a percentage of Net Assets, Loans represented 16.7% of the total, as compared to 24.9% at year-end 2016. The percentage may vary somewhat year on year, but tends to be structurally low over time and continues to be an indicator of the Bank's high levels of structural liquidity. It also reflects the strategy of the Bank of reduced emphasis on commercial and consumer-related lending in the Bank's business model, in what we believe to be in an already over-indebted economy. The ratio of non-performing loans/Total Loans was 0.05% at 31/12/17, in line with negligible levels recorded in prior years.

The Bank's main sources of funding are, in this order: (i) mainly retail client deposits, (ii) shareholders' funds, (iii) sales/repurchase agreements executed with market counterparties, among which are global financial institutions, and (iv) occasional sale/repurchase transactions with the ECB (under LTRO facilities) and, to a greater extent, EUREX Repo platform for generally shorter tenors. The first two components are core, while the others are a function of market opportunities and pricing. The Bank does not issue long-term debt, and considering the Bank's business model and structurally low leverage, there has been no need to do so. Deposits taken from the ECB were zero for the full year 2017, generally substituted with deposits and the use of repo facilities with global counterparties.

Common equity at year end rose to €171.9 million, (171,947,388 million shares issued, with a nominal value of one euro each, of which 15,947,388 were issued and subscribed in mid-December 2017). In 2016, the Bank issued €12 million in redeemable preferred stock. This preferred stock will be redeemed 3 years from issuance at par or in 2019. Shareholder funds rose to €339.5 million from €265.6 million in 2016, because of positive evolution in revaluation reserves, along with higher retained earnings, net of dividends paid. Consolidated Regulatory Capital ("own funds") on a consolidated basis at year-end 2017 was €329.7 million.

Business Environment in 2017

Overview

The past year featured a number of short term or cyclical positives - which have resulted in cautious optimism - albeit against a back-drop of some fundamental, and persistent, negatives. Modest global economic growth and relative stability, in spite of the appearance of potential shifts in the world order, after Donald Trump´s first year in the White House, were general themes for the year. During 2017, markets seemed to absorb the effects of rising interest rates in the U.S., ever-higher equity markets, the unpredictable Trump presidency, BREXIT, German elections, and geo-political tensions with calm, if not complacency.

Domestically, economic figures suggest improvement in growth, employment, fiscal restraint, all against a backdrop of relative political stability. The combination of still accommodative monetary policy in Europe which has produced continued low interest rates, along with careful management of budgets by the minority Socialist government, has led to a sustained return to the markets by the Portuguese Sovereign. There have been gradual upgrades to the Government's creditworthiness by all but one ratings agency, to at least minimum levels of investment grade. The results of the banking sector have been mixed, but capital levels and controls generally have improved, under very tight regulatory scrutiny, and earnings at the group level of most banks seem have passed from significantly negative levels of profitability to slightly above breakeven. Most Portuguese banks, on the other hand, find it difficult to be profitable in the domestic market. A major concern continues to be the level of non-performing loans still to be recognized by the banking sector in Portugal and in Europe as a whole. Reportedly, after many years of write-offs, over one trillion euros in non-performing loans still remain on the books of European banks.

As in prior years, market events most directly associated with the Bank's performance and prospects during 2017 had to do with credit trends, movements in global interest rates and prospects for growth in major economies, on the one hand, and domestic politics and risks and opportunities associated with the management of the State machinery, the intensity and volume of regulation, and the effect of legacy issues on our competition, on the other. The first event is fundamental to our business model, the management of the balance sheet and our business with clients and is a key to creating value for our shareholders. The second is critical as well, as the credibility of the sovereign is watched closely by external creditors and international investors, while the impact on the banking sector and competitive pressures are a daily concern.

On a detailed level, our response to business opportunities, regulatory, tax, labor, social, and competitive issues, are discussed in this section and throughout the Management Discussion.

Macroeconomic Indicators and Economic Trends

Global

The growth rate for 2017 of the world economy is estimated by the IMF at 3.6%, the highest rate since 2011, benefiting

T.3

Macroeconomic Indicators (%)	GDP 2016	GDP 2017	GDP 2018E	CPI 2016	CPI 2017	CPI 2018E
United States	1.5	2.2	2.3	1.3	2.1	2.1
Euro Zone	1.8	2.1	1.9	0.2	1.5	1.4
Portugal	1.4	2.5	2.0	0.6	1.6	2.0
Japan	1.0	1.5	0.7	-0.1	0.4	0.5
China	6.7	6.8	6.5	2.0	1.8	2.4
Russia	-0.2	1.8	1.6	7.0	4.2	3.9
Middle-East	2.9	1.5	2.7	3.3	4.3	4.4
Asia-Pacific	4.9	5.3	4.9	1.8	1.7	2.2
Latin America (inc. Caribbean)	-0.6	1.3	2.0	5.6	4.1	3.6
Developed Economies	1.7	2.2	2.0	0.8	1.7	1.7
In Development Economies	4.3	4.6	4.9	4.3	4.2	4.4
World	3.2	3.6	3.7	2.8	3.1	3.3

Source: IMF; Bloomberg

from the softening of economic risks in the main economies, even though the last year was characterized by an increase in geopolitical risks. The year was also positive for the labor market in the developed world with the unemployment rate of 5.7% at the lowest level since 2007, a trend that it not surprising considering the levels of full employment of the North-American and Japanese economies and with the Euro Zone registering the lowest unemployment rate (8.7%) since January 2009. Still, the current framework of the labor market in the developed world did not translate into an expressive pick-up in inflation, which is still below the target of 2% for the developed countries, and that in a global basis, shall reach 3.1% in 2017.

The increase in debt, driven by consecutive years of ultra-expansionary monetary policies, is one of the main risks into the future, considering the reversal of those monetary policies. The dynamic is different between the developed economies – where the growth was mostly at the level of public debt – and developing countries – where companies and individuals have gone into debt.

USA

The 1st year of the Trump administration was marked by an economy (GDP growth estimated at 2.2%) in continuous expansion, representing the 3rd longest expansion cycle since World War II. The economy is at full employment, with an unemployment rate of 4.1%, and the simultaneously effect of solid growth, full employment and recovery of inflation (estimated at 2.1% in 2017). This led the Federal Reserve to meet, for the first time since the announcement of the removal of monetary stimulus, and to move to increase rates. The fiscal reform approved at the end of 2017 provided a new economic impulse for an economy already at the late stage of expansion. The IMF revised upwards the estimates of growth of the US economy in 2018 and 2019 and it estimates that the economic growth decelerates in 2022, as the positive effects of the expansionary fiscal policy begin to fade.

The North-American stock market hit new highs in 2017, sustained by the positive macroeconomic environment and the expectations of fiscal reform. The bond market experienced a flattening of the yield curve, sustained by the increase of short-term interest rates. The United States dollar was the asset with the most surprising trend, reversing fully the gains after the election of Trump, being, perhaps, the asset that better expressed the doubts of the market relative to the power of action of the Trump administration.

Europe

In Europe, the political landscape centered attentions once again, with the headlining presidential elections in France (1st semester) and parliamentary elections in Germany (September). Notwithstanding the risks of emergence of extremist parties, the results were tranquilizing for the political stability in Europe, with the victory of Macron in the first case and the likely formation of a Grand Coalition in Germany between CDU (Merkel) and SPD (Schultz), a situation which provides a new push to the adoption of pro-European integration policies in the medium-term. With respect to Brexit (March/2019), progress in the negotiation between the United Kingdom and E.U. has occurred, namely the financial agreement which should allow the United Kingdom to keep its contribution for the European Union budget until 2020.

At a macroeconomic level, we have observed a convergence between the core economies and the periphery on the main indicators of activity, which motivated an acceleration of economic growth in the Euro Zone to 2.1% in 2017, with inflation remaining at contained levels (1.5%), as the result of the stability of prices of commodities and the change in the inflation dynamic paradigm – where technology, demography and high debt restricted the pick-up in prices. This situation led the ECB to reduce the monthly asset purchase program from EUR 60 bn to EUR 30 bn – beginning in January and ending in September.

The more optimistic context favored the compression of spreads between the periphery and German bunds, with the interest rate of the 10-year German debt ending the year at 45 b.p. (vs. 20 b.p. in the beginning of 2017). In the forex market, the excessive long positioning in USD at the beginning of 2017 and the acceleration of growth in Europe favored a significant rebound in the EUR-USD cross, which appreciated almost 15% in the year to the level of 1.20. The European equity markets reached average appreciations of around 10%, with a relative outperformance of the periphery indexes in comparison to Core.

Portugal

The growth in GDP in Portugal accelerated to an annual rate of 2.5% (1.4% in 2016), driven by the growth in domestic demand, as well as by the maintenance of favorable private investment (+8.9%) and exports (+7.4%), highlighting the important contribution of Tourism in the growth of exports and services. At a budget level, the fiscal balance improved to 1.4% of GDP and the public debt trajectory evolved favorably to 126.7% of GDP (130.2% in 2016). The high level of debt, the persistent of subpar productivity and the legacy of non-performing loans in the financial sector continue to penalize the rhythm of acceleration of potential GDP.

The financing conditions of the Portuguese Republic improved considerably along the year (10 year yield reduced from 4% to 2% at the end of 2017). The more accentuated recovery of economic activity and the decisions of the rating agencies, first S&P (September) and afterwards Fitch (December), in placing the Portuguese debt in the investment grade category were the main drivers for this movement. The benign financing conditions were taken advantage of by the country to amortize a significant amount of the IMF loan (80% of the total was already reimbursed).

Critical Accounting Policies

The Bank's financial statements for 2017 are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The application of these accounting standards requires the use of judgment, based on estimates and assumptions that may involve significant uncertainty at the time they are made. Such judgments, which combine historical experience, expectations of the future and other factors, are evaluated regularly to determine their relevance based on current conditions. Changes in assumptions may have a significant impact on the financial statements in the periods when they occur. Management believes the assumptions made are reasonable under the circumstances, and that the financial statements fairly present the financial position of BiG as of 31 December 2017 and the results of operations and cash flows for the year 2017 in accordance with IFRS.

The Bank's critical accounting policies are discussed in detail in the Notes to the Consolidated Financial Statements. Of the policies described, one of the most important for the Bank is the use of *fair value* to measure financial instruments. This is because most of the Bank's earning assets are liquid, fixed and variable income securities, as opposed to less-liquid loans. As a result, substantially all of the balance sheet is "marked to market" which results in improved accounting transparency. However, this model also increases the need for financial discipline, because of the effects that volatile markets can have on key balance sheet categories. When events take place, which might reduce transparency and/or liquidity in markets, as has been the case on occasion over the past several years, this can generate market volatility and have a significant impact on how financial securities are valued by the markets and, consequently, on the Bank's financial statements.

Under IFRS, the relative degree of uncertainty associated with the measurement of fair value is reflected by use of a three-level valuation hierarchy. The best evidence of fair value is a quoted price in an actively traded market (Level 1). In the event that the market for a financial instrument is not active, or where quoted prices are not otherwise available, a valuation technique may be used to estimate fair value based principally on observable market data in respect of equivalent financial instruments, as well as financial models (Level 2). Level 3 applies to instruments that are measured by a valuation technique which incorporates one or more significant unobservable inputs. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of judgment to calculate a fair value than those based entirely on observable inputs. Substantially all of the Bank's financial assets are based on observable prices and inputs and hence are classified in Levels 1 and 2 of the hierarchy. Where valuation techniques, including models, are used to determine fair values, they are periodically reviewed and validated. Models are calibrated to ensure that outputs reflect actual data and comparable market prices. Also, models prioritize the use of observable inputs, when available, over unobservable inputs. Judgment is required in selecting appropriate models as well as inputs for which observable data is less readily or not available.

Through 31 December 2017 – or prior to the 1 January 2018 transition to accounting rule IFRS 9 - the Bank classified its financial assets into the following categories: Assets held for trading, Assets available for sale ("AFS") and Loans. Through 2017, BiG did not classify securities as "Held to Maturity," as defined by IAS. Based on relevant accounting policies, appropriate classification of financial assets is determined at the time of initial recognition or when reclassified in the Balance Sheet.

For purposes of analyzing 2017 financial statements, assets held for trading purposes are measured at *fair value*, with variations recognized in the profit and loss statement. Assets held for sale are likewise measured at *fair value*, with respective fluctuations recognized in reserves of the capital account, until such time as an imparity may be recognized. At this point losses registered in reserves are transferred to results. Financial assets classified at *fair value* through profit or loss and financial assets classified as AFS are recognized or derecognized on trade date, which is the date on which the Group commits to purchase or sell the asset. A third category involves loans, including loans represented by securities, measured via amortized cost based on effective interest rates. All of the Bank's financial assets that are not classified as loans are held in the first two categories and, as a result, are measured at *fair value* and reflected as such in the financial statements.

Financial liabilities, including deposits and repos, are measured at amortized cost. Other significant accounting issues for 2017 include:

Deferred taxes: Deferred tax assets arise from a variety of sources, with the most significant being: (i) future tax savings associated with mark to market losses on financial assets for sale, (ii) expenses recognized in the income statement that are not deductible until the associated cash flows occur, and (iii) tax losses that can be carried forward and utilized against profits in future years and. The level of deferred tax asset recognition is influenced by Management's assessment of the Bank's future profitability. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of our deferred tax assets may become impaired in the future, giving rise to losses in the income statement.

Controls over valuation of financial instruments: The control infrastructure is independent of the revenue-producing areas. These processes, along with the methodologies above, are defined by the Board and supervised or reviewed by internal and external audit functions of the Bank.

Review of net revenues and expenses: The accounting for revenues and expenses is the responsibility of independent and control functions and validated on a daily basis by Management. The aim is to identify and resolve potential issues associated with fair value or booking of revenues on an objective and timely basis.

Reclassification: Reclassifications can occur, in exceptional circumstances. The last event occurred in 2010, when the Bank sold a number of securities held to maturity, which according to IAS 39, obliged that they be reclassified as securities AFS, and revalued at fair value. Since that date, and through year-end 2017, Management opted not to classify securities as "Held to Maturity."

Transition to IFRS 9 ("International Financial Reporting Standards 9")

On July 24, 2014 the IASB published the final version of IFRS 9-Financial Instruments. This new standard is effective for annual periods beginning on or after January 2018 and substitutes IAS 39 – Financial Instruments. The new standard incorporates significant changes to the accounting of financial instruments, namely in the classification, recognition and measurement of assets which takes into consideration the entity's business model and the characteristics of the contractual cash flow of those assets. It introduces a new methodology to calculate impairment losses on financial assets, where the calculation is based on the expected losses rather than losses incurred, and there new rules for hedge accounting.

In 2017 BiG prepared a work plan that had as an objective to implement the new standard, namely the adaptation of the internal regulations and procedures contained in IFRS 9, and executing a parallel exercise between the two standards (IAS 39 / IFRS 9), in order to measure the impacts on the new model of impairment and measurement and classification of assets.

Regarding the governance structure, a committee was created in 2017 to coordinate and monitor the implementation of the new standard and involve all relevant areas for a successful transition to IFRS 9. Belonging to the committee are the Board of Directors, Risk Management, Operations Management, Markets Management and Accounting Management. Internal Audit Management, Internal Control and the External Auditor. The support from the External Auditor was provided in a perspective of support and pre-assurance.

At the end of 2017 the new calculation model for impairment for securities portfolio, new classification and measurement of the financial assets portfolio was implemented, based on the BiG business model and the characteristics of the contractual cash flow of those assets and the hedging model. The transition adjustment to IFRS 9 was performed on January 4, 2018. More information may be found in Notes 42 and 43.

Significant Regulatory Processes

The global financial system has been undergoing profound changes since 2008, at the regulatory and supervisory level, which have been justified by the need to (i) stabilize financial markets, (ii) reinforce the solidity of financial institutions and (iii) increase transparency. In this context, the sector has registered a significant increase in regulation, stricter supervision and oversight by regulators, greater reporting requirements, and a growing focus on prudential, behavioral and internal controls.

This intensification of the regulatory processes has had a significant operational impact on banks. BiG complies with regulatory processes by allocating different members of its reporting, accounting, internal audit, risk and management teams, depending on the process, under the coordination of the Board. Some of the Banks's most relevant periodic reporting processes are described below.

Internal Capital Adequacy Assessment Process (ICAAP)

In the context of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Bank performs an internal analysis of the techniques and models it employs in the qualitative and quantitative valuation of its internal capital and of the risks to which it may be exposed. The Bank also performs a critical analysis of: (i) the adequacy of the process it employs to manage and monitor capital and risks, (ii) the evolution of estimates of internal capital and of the most relevant risks, (iii) its risk profile and (iv) internal capital adequacy and capital requirements.

From a qualitative perspective, this report encompasses a descriptive analysis of: (i) the Bank's capital and risk management and monitoring processes, and (ii) the adequacy of the organization, structure and processes given the internal capital needs and incurred risks.

The report's quantitative valuation includes: (i) identifying and quantifying the most material risks, (ii) a description of the process for aggregating risk assessments, and (iii) a global valuation of capital needs, which also reflects the uncertainty of the models employed, the shortcomings of the procedures, systems and risk controls, as well as the differences between own funds and internal capital.

The ICAAP report also includes: (i) a description of the Bank's contingency plan to ensure the ongoing management of the operation and internal capital adequacy in a recession or crisis scenario, (ii) an indication of the most relevant macroeconomic factors in the recession or crisis scenario, and (iii) the indication of the main shortcoming identified by the ICAAP and the measures envisaged to overcome such shortcomings, including a calendar for their execution.

The legal framework of the ICAAP report is the Bank of Portugal Instruction nº15/2007, with an annual reporting frequency.

In its annual ICAAP report, the Bank presents a detailed analysis of the main risk controls and mitigation techniques regarding market, credit, operational, interest rate, concentration, information systems, liquidity, exchange rate, and compliance and reputation risk. Among the risks the Bank is subject to, BiG considers the most relevant to be Pillar I risks (market, credit, operational and Credit Valuation Adjustment - CVA), the interest rate risk of the Bank's portfolio, concentration risk, sovereign risk and credit spread risk. Own funds requirements are calculated for each of these risks. For assessing each of these types of risk, the Bank adopts methodologies based on regulatory models. Concerning Pillar II risks (interest rate risk of the Bank's portfolio, concentration, sovereign and credit spread risks), BiG employs either internal models or models based on methods developed by central banks.

Following the latest yearly exercise carried out by BiG, the Board considered the current capital and liquidity levels to be adequate considering: (i) the Bank's risk profile, (ii) the current context, (iii) perspectives regarding the near future and (iv) the size and complexity of the Bank.

Supervisory Review of Evaluation Process (SREP)

The Supervisory Review and Evaluation Process (SREP) is an analysis and assessment process carried out by the supervisory authorities, which aims to ensure that each financial institution is employing adequate strategies, processes, capital and liquidity for the risks it is, or may be exposed to. This process falls under Pillar 2 of the Basel Accords.

The goal of the supervisor is to determine the capital and liquidity requirements, as well as any additional supervisory measures, necessary to tackle the specific shortcomings of each financial institution, in light of the individual profile and risk for the financial system.

Both significant and less significant financial institutions are subject to the SREP process, in accordance with the principle of proportionality. The frequency and intensity of the assessment carried out by the supervisory under SREP varies according to: (i) the potential impact of the financial institution in the financial system and (ii) the individual risk profile.

The analysis performed by the supervisor under SREP determines that all the risks to which financial institutions are exposed must be assessed. This analysis must include: (i) business model, (ii) internal governance and risk management, (iii) capital risks and (iv) liquidity and financial risks.

Following this analysis, the supervisor performs a global, holistic assessment, deciding on the quantitative capital and liquidity measures that must be implemented, as well as on any other supervisory measures.

The following exercises are included in the SREP process:

Risk assessment

Risk assessment allows for a continuous evaluation of the risk levels to which the financial institution is exposed, and of its internal controls. This assessment is based on a quantitative and qualitative analysis with recourse to backward-looking and forward-looking indicators.

Risks that may have an impact on the capital and liquidity are assessed by risk level and by the associated risk control and mitigation procedures which have been implemented. BiG's direct supervisor, *Bank of Portugal*, assesses the risk and profitability of the financial institution's business, as well as its internal governance and risk management. Each analysis performed by the supervisor is subsequently integrated into a global assessment.

Capital and Liquidity Adequacy Assessments

The SREP process encompasses a broad analysis of the internal procedures for the assessment of capital (ICAAP) and liquidity (ILAAP) adequacy. These are key risk management processes, which contribute to determining capital and liquidity requirements.

The supervisor assesses compliance of minimum requirements for own funds defined under Pillar I of the Basel Accords. Also, financial institutions must ensure additional specific own funds and liquidity levels to cover risks which do not fall under Pillar I. In order to determine these additional requirements, financial institutions employ their own internal assessment methods, which are reflected in the ICAPP and ILAAP.

Quantifying adequate Capital and Liquidity, and assessing other qualitative requirements

In the SREP process, *Bank of Portugal* examines a wide range of information about each financial institution, including: (i) periodic reports, (ii) ICAAP and ILAAP, (iii) risk appetite, (iv) benchmarks or proxies used to assess estimates, (v) risk assessment results, (vi) stress test results, and (vii) the supervisor's general priorities regarding risk.

Based on the information analyzed and assessed during the SREP process, *Bank of Portugal* performs a global assessment of a financial institution's own funds and liquidity adequacy, and prepares its SREP decision. In the SREP decision, key objectives are set to address the capital and liquidity issues identified. The supervisor may also ask the bank to set qualitative requirements, which could refer to the bank's governance structure or its management. The SREP decision is sent to the financial institution, which is given the opportunity to present any written remarks concerning the facts and any legal arguments that may be relevant for the supervisor's decision.

Recovery Plan

The Recovery Plan is an instrument designed to help financial institutions manage a financial crisis. It details the measures and procedures the bank will take to restore its financial position and normal business operations, should a crisis occur.

The main objective of a Recovery Plan is to establish a preventive, organized process of the measures that should be employed if an idiosyncratic or systemic crisis erupts, thus ensuring that the bank is able to react in an adequate and timely manner.

This instrument falls under the legal framework of Notice 03/2015 of the Bank of Portugal (BdP), Article 116-D of the RGICSF and of Delegated Regulation (EU) 2016/1075 of the Commission. BiG has been preparing and reporting yearly Recovery Plans since 2013.

The Recovery Plan outlines a set of recovery measures aimed at enhancing a bank's liquidity, capital or own funds, describing the mechanisms and the assumptions that underlie its hypothetical execution in a serious macroeconomic and financial stress scenario. These mechanisms may include the potential disposal of the bank's assets, access to funding necessary to maintain the bank's normal ongoing operation, and any capital increases that may be necessary to enhance the sustainability and financial soundness of the bank.

As an integral part of the Bank's management, and in order to prepare its Recovery Plan, BiG has identified relevant recovery indicators, which include: (i) capital, (ii) liquidity, (iii) asset quality and (iv) asset profitability. These indicators act as preventive alerts for the need to execute recovery measures.

The levels of these recovery indicators are monitored daily taking into consideration relevant events that take place, but also stress tests and scenario analyses performed in the context of the Bank's risk management and control functions. This control mechanism allows for prompt action to be taken in order to ensure the sustainability and financial soundness of the Bank.

Current regulation establishes that for each recovery indicator, an alert level and a trigger level must be defined in the Recovery Plan. If any of these levels is breached, the financial institution must notify *Bank of Portugal* and must assess the need to execute recovery measures.

The goal of the indicator levels is to anticipate, mitigate and avoid potential situations of financial distress for the financial institution. BiG employs not only alert and trigger levels, but also pre-alert levels for each recovery indicator. These pre-alert levels are used only for internal purposes with the objective of ensuring that appropriate measures are pro-actively executed to avoid reaching any alert or trigger level.

Funding and Capital Plan

The Funding and Capital Plan (the "Plan") is a medium to long term forward-looking plan, prepared by the Bank on an annual basis, which focuses on the expected future evolution of the Bank's main profit & loss, asset, liability and capital items. This plan is periodically submitted by national financial institutions to *Bank of Portugal*, under the latter's prudential supervision competences, and according to Instruction No. 18/2015.

Since 2011, when these reports were made mandatory for financial institutions in the context of Portugal's economic and financial assistance program, the Funding and Capital Plan has undergone several changes, namely related to its reporting frequency, its format, contents and detail level. Currently, the Plan is prepared and reported by the Bank on an annual basis and presents detailed projections of profit & loss, balance sheet and capital items, for a 3-year horizon, including quarterly projections for the economic exercise ongoing at the time the report is prepared.

The Bank's planning process

The Plan is largely based on an internal medium to long term financial planning process, which is coordinated by the Board. This planning process incorporates expectations about the management of the Bank's assets and funding sources. Given the forward-looking nature of the exercise, the Bank generally assumes normalized market conditions. Nevertheless, some risk factors which may have an impact in the Bank's business and in the projections are identified.

Normally, the Bank does not estimate a specific growth rate for its assets. Balance sheet growth estimates result from the availability of funds, market conditions and the availability of capital levels that ensure resiliency in the most extreme stress scenarios.

Also, depending on market conditions, the Bank may make adjustments in specific business areas, products or distribution channels, with the goal of ensuring funding stability, capital preservation and revenue improvement. It should be emphasized that this planning exercise occurs in the course of a business year and therefore the projections may not coincide with the effective results for that same period.

Bank planning: Summary of guidance and forward–looking evolution of selected indicators

The main assumptions considered by the Bank include sustainable organic growth and continuous focus on a business model based on low leverage, strong capital levels and comfortable liquidity. BiG's asset portfolio is composed mainly of high quality liquid financial assets, cash and short-term investments.

BiG's earning asset base has been largely focused on investment grade corporate and sovereign debt issued by Eurozone member states and by the United States. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives, and based on Management's understanding of those specific markets.

BiG's limited focus on traditional lending has been based on the perception of inadequate risk/reward levels over the past two decades. Management expects that the Bank's loans/deposits ratio will remain well below market averages in the foreseeable future. Given the general credit weakness in the Portuguese corporate sector, and the growing pressure on the financial sector to generate results, Management believes that it continues to be unattractive to alter the current mix of earning assets in favor of traditional lending.

BiG's funding structure is composed mostly of a solid deposit base, funding from other credit institutions and the Bank's own funds.

When prepared during 2017, the Funding and Capital Plan projected an unchanged profile and a prudent strategy regarding the Bank's funding, mostly based on stable resources and with reduced dependence from money markets.

For a number of strategic reasons, the Bank has used its capital conservatively over the years and Management expects this to continue. Over the years, while paying dividends since 2004 (including anticipated and proposed dividends for 2017) the Bank's capital funds have risen to the current €339.5 million, mostly as a result of retained earnings.

Other Regulatory Developments

Key regulatory developments introduced in 2016-2017 include:

Regulation (UE) 2016/679 – Data protection

This regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data repeals Directive 95/46/EC (General Data Protection Regulation). The principle and rules governing the protection of natural persons with regard to personal data must ensure any person's fundamental rights and liberties, namely the right to personal data protection, regardless of nationality or place of residence.

T.4 (Euro)

	2014	2015	2016	2017	Funding and Capital Plan - Mar 2017 2018E	2019E
Financial Assets Portfolio (1)	**1,118,818,119**	**1,019,177,466**	**1,096,511,868**	**1,331,048,616**	**1,267,518,853**	**1,343,569,984**
% growth	24.8%	-8.9%	7.6%	21.4%	n.a.	6.0%
Net Credit (2)	**136,162,160**	**376,820,146**	**437,484,868**	**309,093,538**	**521,450,852**	**533,065,184**
% growth	-30.9%	176.7%	16.1%	-29.3%	n.a.	2.2%

(1) Includes financial assets held for sale, financial assets held for trading and investments held to maturity (non existing since 2010).
(2) Includes, as of 2011, financial assets with mortgage collateral (mortgage-backed securities), previously considered in the portfolio of financial assets available for sale.
Source: BiG

T.5 (Euro)

	2014	2015	2016	2017	Funding and Capital Plan - Mar 2017 2018E	2019E
Demand Deposits	245,717,024	315,113,085	428,793,894	488,408,314	405,916,533	423,513,383
Time Deposits	503,532,070	519,022,094	589,609,007	508,366,207	672,015,746	701,148,238
Others	55,487,367	51,350,688	30,646,952	39,019,454	59,189,671	61,755,597
Total Deposits from Clients	**804,736,461**	**885,485,868**	**1,049,049,853**	**1,035,793,975**	**1,137,121,951**	**1,186,417,218**
% growth	17.7%	10.0%	18.5%	-1.3%	n.a.	4.3%

Source: BiG

T.6 (Euro)

	2014	2015	2016	2017	Funding and Capital Plan - Mar 2017 2018E	2019E
Common Equity Tier 1	35.1%	33.2%	31.6%	45.1%	30.7%	32.1%
Core Tier 1 ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: BiG

This Regulation is intended to contribute to achieve freedom, security and justice, along with economic union and social progress, and to the strengthening and the convergence of the economies within the internal market, and the well-being of natural persons. Fast technological developments and globalization have brought new challenges for the protection of personal data. Technology allows both private companies and public authorities to make use of personal data on an unprecedented scale in order to pursue their activities.

Technology has transformed both the economy and social life, and should further facilitate the free flow of personal data within the Union and the transfer to third countries and international organizations, while ensuring a high level of the protection of personal data. Those developments require a strong and more coherent data protection framework in the Union, backed by strong enforcement, given the importance of creating trust, which will allow the digital economy to develop across the internal market.

MiFID II / MiFIR ("Markets in Financial Instruments Directive" / "Markets in Financial Instruments Regulation")

The MiFID II / MiFIR legal framework introduces relevant changes regarding the conditions under which authorized investment firms and banks can provide specific services such as financial intermediation activities, negotiation of financial instruments and marketing of banking products. This legal package is formed by MiFID II, MiFIR, two delegated regulations of the European Commission, a delegated commission directive and 44 Regulatory Technical and Implementation Standards (RTS / ITS).

The Portuguese Securities Code will be subject to various changes, which extend its objective scope (targeting new financial instruments) and subjective scope (restrictions to unauthorized investors), and strengthens the supervisory powers regarding the financial instruments, while empowering supervisory authorities to prohibit and restrict the trading of financial instruments.

This legal package also foresees specific changes to the RGICSF ("Regime Geral das Instituições de Crédito e Sociedades Financeiras") in prudential and behavioral matters, namely, investment firms providing advisory on structured deposits, which is configured as a segregated activity from investment advisory and trading in the strict sense (reserved to credit institutions). Moreover, it reinforces behavioral and organizational duties which in some cases have a scope beyond structured deposits, generally covering "retail banking products and services".

It is important to reinforce that MiFIR introduces significant changes regarding transparency requirements of pre and post-trade information and transaction reporting, with a nearly complete harmonization of these matters. In addition, trading obligations are planned in organized markets of standard derivatives and shares admitted or traded on a regulated market or MTF.

PRIIPs ("Packaged Retail and Insurance-based Investment Products")

In order to avoid disparity, uniform rules of transparency at the union level have been established and applied to all market participants in PRIIPs, thus enhancing investor protection. The purpose of this Regulation is to ensure the establishment of a common standard for key information documents, so that its format and content can be uniformly harmonized. The rules set out in this act aim to ensure that all of those who produce, distribute or advise on PRIIPs are subject to uniform requirements as regards to the provision of the fundamental information document to non-professional investors.

The Regulation also complements the distribution measures provided in Directive no. 2014/65/EU of the European Parliament and the Council and the measures applicable to the distribution of insurance products provided in Directive nr. 2002/92/EC of the European Parliament and the Council and revokes the CMVM Regulation no. 2/2012, which has guided the Portuguese market in this matter during the last years in respect to complex financial products. Due to the delay in the MiFID II transposition to Portuguese regulation, the diplomas before mentioned should only be in force by the end of the first quarter of 2018.

For the purpose of mitigating the lack of clear regulation and possible legal perception conflicts, CMVM has published on 4 January 2018 a document with several recommendations in line with the PRIIPs Regulation and its Delegated Regulation (EU) no. 2017/653.

Summary Analysis – Key Metrics

For more detail in addition to the summaries provided below, please refer to Results of Operations 2017 and the Notes to the Consolidated Statements.

Capital and Solvency

The use and allocation of shareholder capital for our operations, and the strength, consistency and transparency of our solvency ratios are of paramount importance to Management as we manage our business on a day-to-day basis. The level of our capital adequacy provides confidence to clients and counter-parties, and reflects key aspects of how we manage our business. These include, among others, such factors as (i) closely monitoring potential risks as well as anticipated returns, (ii) applying the results of capital planning and stress testing processes to the daily management of our balance sheet, (iii) objectively assessing the business environment and (iv) identifying and measuring potential material risks, whether specific or strategic. As discussed above, we do projections on funding and capital on a regular basis and provide our regulator with an annual internal assessment on capital adequacy. These analyses are fundamental to our maintaining discipline in risk taking and, therefore, use of capital.

Summary of the capital management process:

For 2017, levels of capital and solvency ratios improved upon the robust levels of prior years. In broad terms, the consis-

T.7

(Euro)

Capital	2017	2016	2015	2014
Common stock	171,947	156,000	156,000	104,000
Issue premiums	1,362	1,362	1,362	1,362
Treasury stock	-2	-2	-2	-153
Fair value reserve	-63,827	-87,095	-48,229	-7,284
Other reserves and retained earnings	188,627	160,994	105,204	96,515
Net profit	52,347	43,712	74,509	82,529
Shareholder Funds	339,533	265,611	276,364	261,369
Own Funds	329,790	290,951	312,743	261,300
TIER 1 ratio	45.1%	31.6%	33.2%	35.1%

Source: BiG

tency is deliberate and is a function of careful management of the business model, controlled risk-taking, attention to the quality of earnings, and a policy of largely retaining profits, through often very different economic cycles and evolving regulations. Specifically, with respect to 2017, the Bank sought to de-leverage certain long-held credit portfolios as a strategic decision in the latter part of the year, which reduced risk-weighted assets temporarily, and which led to an increase in already high, key solvency ratios.

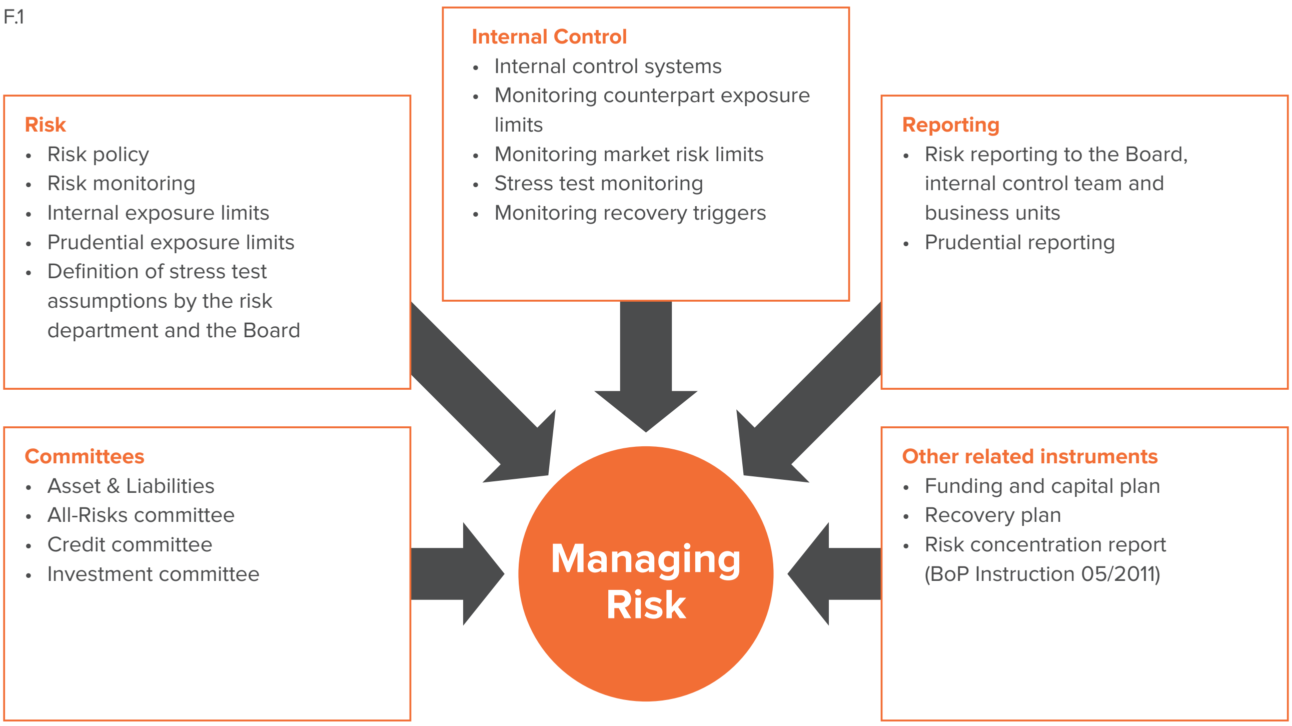
The combination of stronger earnings, a conservative and consistent, policy on dividends, and improvements in the value of AFS, which is reflected in the Fair Value Reserve of the capital account, resulted in a rise in Shareholder Funds to €339.5 million at 31/12/17, or 27.8% higher than the €265.6 million at year end 2016. This total is composed entirely of shareholders' equity and includes the impact of a small issue of €15.9 million (15.9 million ordinary shares) in mid-December, which were subscribed by existing shareholders, along with Management and Staff in accordance with employee equity plans. Also included is the payout of a partial, anticipated dividend of €13.4 million to shareholders prior to year-end, based on certified results of the Bank for the period ending 30/09/17. At 31/12/17, BiG held a negligible amount of own shares.

The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with central bank regulations and was €329.8 million at 31/12/17, 13.4% higher than the €291 million at the same date in 2016.

The Bank's Core Tier 1 ratio was 45.1% at year-end 2017, as compared to 31.6% at year-end 2016, and was calculated on a "phasing-in" basis. This ratio has remained consistently above regulatory minimum levels under the most stressful market conditions over the past 19 years.

In order to ensure prudent use of capital and the maintenance of comfortable re-

F.1



serves, the Bank performs a range of stress tests and certain sensitivity analyses on a daily basis. These include a variety of tests of major balance sheet items, daily internal and prudential controls, and internal solvency stress tests. These tests are designed to measure the impact on our Core Tier 1 ratio to adverse effects, which might have a direct effect on the Bank's solvency ratios. Results of stress tests, even though hypothetical, often serve as triggers for Management and business areas to act, either to reduce risk or to diversify concentrations. Examples of some extreme scenarios used by Management at 31/12/17 are shown below and are discussed in further detail in both the RISK MANAGEMENT section of this report and in Note 39. These results assume a combination of two extreme events: (i) sudden drops in the value of certain types of sovereign debt, which (ii) would be required, simultaneously, to be recognized as impairities with corresponding movements in the Fair Value Reserve and the Bank's results.

The results of the impact on the Bank's solvency ratios at year-end December 2017 under each scenario would be as follow in T.8.

Through the Bank's ICAAP, we further analyze how we would manage the Bank's balance sheet during a severe crisis, generate liquidity and/or redeploy equity capital. This assessment incorporates market risk, credit risk and operational risk and, when combined with daily scenario analyses, as described above and in the RISK MANAGMENT section of this report, forms the basis for Management's ongoing evaluation of the Bank's capital adequacy.

Liquidity and Funding

Liquidity is a key basis for managing the Bank, and remained strong for 2017, with the main components of our assumptions in line with prior years.

Loans/Deposits declined, and liquidity therefore rose, following a decision to divest partially of long-held residential mortgage-securities classified as Loans, because of their reduced liquidity. Non-deposit-related wholesale funding, essentially short term, collateralized repos with a number of different parties, increased somewhat, and since 2016 has replaced the small component of ECB funding, under more attractive terms. The Bank's potential, untapped liquidity, based on the capacity to use eligible securities as collateral for further draw-downs, continues to be substantial, with more than a 50% to eligible assets/deposits ratio, on average. Available liquidity rises to over 100% of deposits when unencumbered, non-eligible but liquid assets available for sale and cash are added to unused available amounts of the ECB/EUREX pools, as indicated in the quarterly summary for 2017 (T.10).

Net Loans to Total Net Assets declined to 16.7% at 31/12/17, for the reasons outlined before. The ratio of Loans/Deposits, a key measure of balance sheet liquidity, declined to 29.8%, from 41.7% the year before. Traditional lending remains non-strategic, which is a key factor in our business model and fundamental to our management of liquidity, our views on asset quality and the efficient use of capital.

For 2017, as in prior years, the majority of the Bank's assets are reasonably liquid securities, which are held either as Trading or as AFS (under IAS 39) assets. Management believes that this strategy of maintaining liquid portfolios in a balance sheet that is substantially marked to market encourages discipline in position-taking and balance sheet growth and coincides with the culture of transparency with respect to valuations of all securities. **The combination of (i) a low concentration of illiquid loans, (ii) reduced overall balance sheet gearing relative to capital and stable funding sources, and (iii) a policy of maintaining a large inventory of unencumbered assets on hand at all times to ensure comfortable levels of liquidity, are central to Bank's business model and relative profitability during the Bank's history.**

Main sources of funding and trends for 2017 were (i) client deposits, which were relatively unchanged from 2016, (ii) higher shareholder funds, (iii) funding under repurchase agreements with market counterparties, which increased year on year (iv) and secured short term operations with EUREX Repo, which declined year on year. The Bank does not issue debt securities because this type of funding is not strategic to our current business model and investment plans.

T.8

December 2017 - Stress test	Scenario 1	Scenario 2
TIER 1 Capital	35.6%	33.2%
T1 Capital Ratio	35.6%	33.2%

Scenario 1: Negative variations in fair value recognized 80% in own funds after EBA haircuts
Scenario 2: Negative variations in fair value recognized 100% in own funds after EBA haircuts
Source: BiG

T.9

(Euro 000)

Liquidity and Funding	2017	2016	2015	2014
Loans / Client Deposits	29.8%	41.7%	42.6%	16.9%
Liquid Earning Assets / Total Net Assets	80.4%	69.5%	71.4%	84.8%
Funding from ECB	0	0	165,007	180,173
Other sources of Funding	410,261	396,823	171,220	108,264
Client Deposits / Total Liabilites & Capital	56.0%	59.6%	57.4%	55.7%

Source: BiG

T.10 (Euro)

	Average values 1st quarter 2017	Average values 2nd quarter 2017	Average values 3rd quarter 2017	Average values 4th quarter 2017
ECB - POOL value - Eligible assets (includes haircut)(1)	372,426,674	353,862,069	431,346,484	218,018,294
ECB - POOL value - Borrowed	0	0	0	0
ECB - POOL value - Available	**372,426,674**	**353,862,069**	**431,346,484**	**218,018,294**
EUREX Repo - POOL(2) value	275,663,970	404,032,138	421,024,291	669,367,518
EUREX Repo Borrowed Net: (Borrowed - Deposits)	82,333,333	183,333,333	36,666,667	146,666,667
Eurex Repo - Available	**171,524,068**	**189,145,062**	**353,910,088**	**435,810,691**
Eligible assets available for collateral outside the POOL's	**30,327,763**	**75,923,777**	**75,982,545**	**102,446,524**
Total eligible assets available for collateral	**574,278,505**	**618,930,909**	**861,239,116**	**756,275,509**
Ratio between deposits and eligible assets available	49%	54%	75%	63%
Eligible assets not available (given as garantee to other counterparties)	169,628,379	127,964,367	82,234,830	83,238,181
Non eligible assets available held for collateral in repos	0	0	0	0
Non eligible assets available for collateral	540,583,472	490,745,332	300,520,529	397,629,116
Non eligible assets - Total	540,583,472	490,745,332	300,520,529	397,629,116

(1) POOL assets are valued with the ECB prices, for that reason it may not be equal to market prices.
(2) POOL of assets valued with Eurex prices, includes haircuts.
Source: BiG

Earnings

Net Revenues for 2017 rose 37% to €103.7 million, from €75.7 million the prior year. Net Income increased 20% year-on-year to €52.3 million from €43.7 million, while the Bank's average Return on Equity was 17.3%, as compared with 16.1% the year 2016.

In a year when global growth seemed to expand modestly, and the perception of local conditions improved as well, the priorities of Management were to (i) preserve capital, (ii) maintain a modest risk profile, (iii) study and invest in new lines of business, (iv) consider an increase in discretionary investments, and (v) prepare the business for what appeared would be a less volatile business environment in the near future. Management has grown accustomed to expanding the business carefully, and while operating in an unpredictable environment, we chose to control and, in some cases, reduce risk during the year, in order to preserve capital and the integrity of our business. Since we tend to operate day to day in a potential crisis-mode, we seek to position the Bank to grow in a sustained manner and to produce consistent results during what continues to be a challenging period for our competitors in the Portuguese banking system, in spite of gradual improvements in the economy.

In 2017, the Bank's net margin dropped because of (i) the continued squeeze in credit spreads (ii) a decision not to expand the balance sheet, which would have meant a reduction in credit quality, given the scarcity of quality assets, (ii) higher funding costs on average, and (iv) conservative management of the banking book. During 2017, certain key markets – U.S. equities and local real estate, as examples – appeared to be headed for new heights based on high levels of confidence. The results included lower interest margin, but higher fees on intermediation and asset management.

On the expense side, key operating expenses, excluding provisions for general

T.11 (Euro 000)

Earnings	2017	2016	2015	2014
Net Operating Revenues	103,737	75,692	148,706	169,375
Net Operating Expenses (net imparities)	-32,825	-16,931	-39,681	-44,685
Imparities	266	-318	-1,424	-209
Results from Associated Companies	0	0	0	176
Pre-tax Profit	71,178	58,443	107,601	124,656
Taxation	-18,831	-14,731	-33,092	-42,127
Net Profit	52,347	43,712	74,509	82,529

Source: BiG

banking risks and imparities, rose in line with revenues. This figure combines increases in compensation expense, and an increase in general administrative and amortization expenses, normally associated with a higher staff complement occupying more space, marketing costs and on-going upgrades to systems. In 2017, **the Bank's efficiency ratio, defined as Operating Expenses/Operating Income, improved to 33.6%, from 36.7%.**

Net provisions were positive for the year, as the remaining provisions made in 2014 for general banking risks - the result of uncertainties associated with still unknown responsibilities toward the Portuguese Resolution Fund - were partially reversed on accounting clarifications regarding future liabilities of the banking sector.

Provisions for impairments moved slightly positive in 2017 and have represented negligible amounts in recent years. The Bank's provision for taxes in 2017 rose to €18.8 million from €14.7 million in 2016, and represented a tax rate of 26.5%, as compared with 25.2% in 2016.

Dividend Policy

Shareholders have approved, since the Bank's inception, a policy of building the capital base through retained earnings. Proposals to pay dividends are made generally by Management, are subject to prior review of the Bank of Portugal in accordance with current regulations and are approved, on an annual basis, by shareholders at the annual Shareholders' meeting.

Interim dividends, or anticipated payments against the current year's results, when applicable, may be approved by the Board of Directors, based on prior certification of results up to a given period, and subject to the prior review by the Bank of Portugal. They are then ratified as part of the total yearly dividend proposed at the annual Shareholders' meeting.

The Bank began paying annual dividends in 2004. Since that date, BiG has retained, on average, 65% of net income and has paid out approximately 35% in cash dividends. For the 2017 financial year, the proposed dividend is €0.15 per share. The proposal represents an expected dividend payout ratio of 49% for 2017 (36% for 2016) and includes the partial, anticipated dividend of €0.07 per share paid to shareholders in November 2017, based on net income, certified by the Bank's external Auditor covering the period 1 January – 30 September 2017. A recent history of payouts by Bank provided is in T.12. Including the proposed payout for 2017, the Bank has returned nearly €143 million to shareholders in the form of cash dividends since 2004.

Competitive Environment

Major factors affecting the competitive environment during the past year have been: (i) the accumulation of responsibilities by the Resolution Fund, (ii) the distortions implicit in the political and regulatory decisions surrounding *Novo Banco* and its sale to Lone Star; (iii) mounting regulatory pressure and related costs on the banking sector, (iv) the continued weight of legacy issues on the ability of banks to build their capital bases and turn traditional business models profitable, and (v) the trends in FinTech and reduced barriers to entry in certain businesses associated with traditional banks.

During 2017, Santander acquired *Banco Popular* and the respective subsidiaries in Portugal were completing a merger. *Novo Banco* was finally sold in conditions deemed unfavorable to the rest of the banking sector, CaixaBank completed its acquisition of BPI, and *Caixa Geral de Depósitos* required significant levels of taxpayer money to raise its capital. Santander consolidated its position and returned to robust levels of profitability. Other processes in the financial sector involving smaller units or insurance businesses appeared to be in different stages of study or completion during the year.

Themes in the financial sector for 2017 were (i) expected improvements in the country´s credit rating and it effect on the slow recovery to profitability by the major banks, (ii) the still significant legacy of non-performing loans on the larger banks' balance sheets, amid weak profitability and the threat of encroachment by non-bank entities on the business of traditional banks; (iii) the continued long-term effects of inefficient business models, combined with excess capacity and inflexible labor laws, (iv) a continuation of the inter-dependence of State and banks in the economy, and high levels of political intervention, and (v) the effect throughout the industry of historically low interest rates.

The process of recognition and re-positioning has been underway for some time. As in prior years, BiG's competition in Portugal continued under pressure by regulators and by market forces to reduce risk, re-consider sources of funding and raise capital to meet new bench-marks and pass regulatory stress tests on capital adequacy. The domestic market – mainly small and mid-sized enterprises - have been required to adjust to effects of banks contracting their balance sheets by building their capital bases. Although Portuguese banks reportedly have added billions of euros in new capital to their balance sheets since 2011, they continue among the weakest and lowest rated in Europe. The process is still evolving and has been exacerbated by increasing lev-

T.12 (Euro)

Dividends	2017 *	2016	2015	2014
Dividend per share	0.150	0.100	0.120	0.210
% Individual Net Income Distributed	49%	36%	25%	26%

* Subject to approval by Shareholders
Source: BiG

els of regulation and legislation designed to ensure a reasonably different banking sector in the future. In response to these measures, the adjustment process for some of our competitors has included, for several years now, reductions of personnel, closure of agencies, the exiting or planned divestiture of businesses, changes in management, if not shareholder control, and the gradual loss of competitiveness to efficient banks operating in other, more productive European economies.

In spite of the long process required to fix the balance sheets of banks most affected by the recession, and largely as a result of regulatory or political actions to maintain weak competitors from failing, the banking market, domestically and internationally, actually continues to be highly competitive and we expect it to remain so. In 2017, low interest rates and the need for revenues has driven credit extension by banks to the consumer segment to record levels.

Banks in Portugal are generally universal financial institutions, which operate traditional business models. A significant number of either domestic or foreign banks, of medium and small size, for the most part specialized, share the rest of market. We face competition in all of our business lines from a large number of domestic and, depending on the line of business, international players.

Corporate Structure

The Bank's structure reflects Management's desire to provide efficient and competitive financial services to our clients and to create long-term value for our share-holders. As a standard, we seek sustained growth and a balance between long-term vision and short term execution.

The Board of Directors believes that these goals can be met with an efficient and clearly understandable corporate and internal operating structure, built around talented people, well-designed processes and reliable technology. Together, the components serve to maximize operating efficiency and help to maintain a competitive cost structure designed to benefit the end client and our shareholders. They are also essential to maintaining tight controls over market, credit and operating risks to which any financial institution is exposed.

The internal organizational structure reflects key aspects of the business culture, which focuses on our goal to ensure the resilience and integrity of the Bank's business model and our ability to withstand any type of financial crisis. To this end, we seek to be transparent, flexible, focused on market risks and managed so as to be able to react quickly to perceived increases in business opportunities. The Bank's liquidity, asset quality and capital profiles are strong. Other than investments in systems, refinements in the day-to-day management of individual business lines, and more than usual caution in volatile political-economic environment, the events of the past several years have not dictated material changes to the business strategy. The Bank has grown, not contracted, during this period. In the course of our activity, Management is continuously analyzing improvements to the existing business areas and looking for ways to invest capital, increase revenues, rationalize costs and continually improve internal efficiency. We expect to grow in a sustained manner, in spite of increasing competition, and plan to maintain this trend into the foreseeable future.

Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held participations in three subsidiaries: (i) ONETIER Partners, SGPS, S.A., which in turn held 100% of the capital of *ONETIER Capital, Sociedade de Capital de Risco, S.A.*, focusing on FinTech investments, (ii) *BiG Serviços Financeiros, S.A.*, which manages the Bank's real estate and performs corporate financial advisory, and (iii) *Banco BiG Moçambique, S.A.*, the wholesale banking subsidiary which began its operations in Q1 2016. None of the above participations had a relevant impact on the financial accounts of the Bank during 2017.

The Bank's model of retail distribution combines a proprietary internet-based platform, www.big.pt, and integrated sales teams located in 18 offices throughout Portugal, with concentrations in Lisbon area (4) and Oporto (3). Institutional Clients are covered by teams located in Lisbon and Oporto.

The Bank does not operate offshore banking entities or Special Purpose Vehicles (SPVs) of any kind as part of its business model.

Properties occupied by the Bank are either leased or directly owned by the Bank. The Bank's head office building at Av. 24 de Julho in Lisbon is owned directly by the Bank. The Bank's IT infrastructure is housed at a secure location in suburban Lisbon and a redundant back-up site is located in Porto.

The Bank's registered brands *BiG*, *Banco BiG* and *bigonline*, are used with our mass-market approach to retail banking, wealth management and online platform.

F.2

Banco de Investimento Global, S.A.

100%	100%	99,99%
ONETIER Partners, SGPS, S.A.	**BiG Serviços Financeiros, S.A.**	**Banco BiG Moçambique, S.A.**
Business: Equity Stakes Common stock: 16,000,000 EUR	Business: Bank real estate management and corporate financial advisory Common stock: 150,000 EUR	Business: Banking Common stock: 484,791,000 MT
↓ 100% **ONETIER Partners, SCR, S.A.** Business: Private Equity Common stock: 750,000 EUR		

Corporate Governance

The Bank internal organization focuses on simplicity, transparency and rigorous operating control over the business. This philosophy encourages the efficient use of resources and a clear distribution of responsibility as to how these resources are used and risks are assumed. BiG, although not a listed firm, nevertheless seeks to follow best practices in Corporate Governance and to align oversight and decision-making procedures with the interests of shareholders and other stakeholders. We strive to follow the recommendations of the OECD and the Portuguese Corporate Governance Code issued by the CMVM (*Código de Governo das Sociedades*) to the extent that they are practical and commensurate with the Bank's size, structure and business objectives.

While not defined as a "systemically important institution," according to regulatory guidelines under European bank union directives, BiG seeks to be an example among its peers of any size in terms of sensible management of a sustainable business, regardless of market conditions, which is based on the assumption that the Bank can and should function without outside assistance. BiG is a member of the Portuguese Institute of Corporate Governance, through which the Bank seeks to contribute to the debate on the main issues, as well as to accompany the principal developments on this subject. Management reviews and, where necessary, makes improvements in practices and instruments of Corporate Governance as a tool in reinforcing the culture of internal control and as a basis for its social and economic development.

BiG's Corporate Governance

F.3 describes BiG's corporate governance.

Voting Rights

In accordance with the Bank's statutes, there are no restrictions on the voting rights of shareholders. Each share held corresponds to one vote, provided that each shareholder, or group of shareholders, holds at least 1000 shares.

External Auditor

The independent auditors of the Bank and subsidiaries are PriceWaterhouseCoopers (PwC - SROC). In accordance with the Bank's policy to review the status of our external auditors after two mandates, shareholders approved the change from our previous auditors, KPMG, to PwC in 2014.

External Advisor

It is the Bank's policy to have separate independent external audit and tax func-

F.3

BiG's Corporate Governance

General Assembly	General Assembly meets at least once a year and is presided over by a President and Secretary, elected by the shareholders for four year terms. Responsibilities include electing the governing bodies, evaluating annual management reports and accounts and approving the application of results.
Advisory Board	Composed typically of fifteen individuals, it includes the main shareholders of BiG and other elements whose presence is considered relevant. The Chairman and the members of the Advisory Board are invited by the Chairman of the Board of Directors, who also has a seat in this body. The Advisory Board meets on average three times per year, or when invited by the Chairman, to discuss strategy and main policies of the Bank, formulating recommendations on this matter. The decisions of the Advisory Board are not formally binding towards the Board of Directors.
Board of Directors	Consisted currently of five executive members, who manage the Bank directly on a day to day basis. The Board of Directors is elected for four year terms, and all of its members are experienced bank executives. While chosen based on their relevant experience, each is also a shareholder on an individual basis, independent of any specific shareholder interest. All board members are executive and the roles of Chairman and CEO are attributed to the same individual. The Board includes a Vice Chairman/COO.
Fiscal Board	The Fiscal Board is the independent supervisory body, consisting of three effective members and an alternate member, elected for four year terms. This body reports directly to the shareholders. Responsibilities include periodic reviews and validation of internal control mechanisms, in accordance with internal and external regulations in line with international accounting policies and standards. The Fiscal Board is also responsible for the election of a CPA. The independent CPA performs periodic audits and also provides an opinion of the accounts.
Compensation Committee	Consisting of three independent individuals elected by the General Assembly for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors, Audit Committee and key function holders is determined periodically by this Committee. It is also responsible for the periodic review of compensation policies.

tions. Currently, Deloitte is the Bank's external advisor for tax matters. In addition to in-house counsel, the Bank retains the firm of J. A. Pinto Ribeiro & Assoc. as its main external legal advisor.

Internal Oversight

The internal control system is defined by a set of strategies, systems, processes, policies and procedures established by the Board. Functional management responsibilities lie with the members of the Bank's Board, all of whom are executive, and to whom various heads of trading, front and back office report. Oversight functions for Accounting, Internal Audit, Internal Control and Compliance and the management of risks associated with Markets, Credit, Technology and Operations report directly to designated members of the Executive Board. In addition to oversight functions by area, the Bank has an All Risks Committee, supervised by a Senior Risk Officer, which meets regularly with two Board Members to enhance bank-wide understanding of control-related priorities, current regulations, systems and procedures. The Bank also has a Compliance Committee, comprising members of the Board and the Head of Compliance, whose function is to analyze sensitive topics and issues related to internal control and regulatory adherence. Audit and Personnel areas report directly to the Chairman. For more detail, see RISK MANAGEMENT AND INTERNAL CONTROL.

Shareholder Base

At year-end 2017, 293 shareholders held common stock with voting rights. The number of shareholders increased year on year, because employees were given the opportunity to subscribe stock alongside shareholders in December 2017. However, the composition of the main shareholders of the Bank, which is not listed, remained substantially the same as for the prior year. The common equity of the Bank also continues to be largely in the hands of Portuguese individuals or Portuguese tax residents. At year-end 2017, 56.59% of the common stock was held by individuals and 43.41% by institutions, foundations, corporations or holding companies. The largest single shareholder, a private individual, held 11.63% of the stock directly.

A total of 9 shareholders held at least 2% of the stock. All are independent of one another and, in aggregate, owned 63.98% of the capital. The Bank's Management team represented an aggregate position of 16.98% of the capital and, at year-end, included 2 of the largest 5 shareholders. The above groupings are indicative, as there are no agreements tying shareholders together.

People

The Bank's business culture derives from the resilience of its business model, Management's ability to execute its strategies and to control risks, and the quality, training and character of our people. Building a culture based on key values, which we aim to transmit to our stakeholders, is a primary concern of the top leadership of the Bank. As a result, Management assumes a direct role in the recruitment, training and career development of staff at all levels. We see their development as a key investment and we look for and reward talent at early stages. As a rule, we invite diversity, but not in our core values. These include academic excellence, a sense of commitment, teamwork, energy, innovation, respect for others and, above all, integrity.

Over the past year, the profile of the Bank's staff and policies concerning their recruitment, training and development has remained consistent with prior years. During 2017, the average age of BiG's staff was 37 years and 81% of the Bank's staff held at least one university degree.

For the year, the number of directly affiliated staff, excluding Management, rose 6% to 255. This figure includes 220 Portuguese-based employees along with 35 staff in Mozambique as of 31/12/17. Since 2010, total staff has increased by 71%, primarily in the areas of sales, products, internal control and technology.

Managing Risk

In broad terms, the Bank is in the business of assuming and managing risk in a prudential manner in order to create value for our shareholders. Policies and practices designed to control these fundamental aspects of our business, which ensure a sound operating environment, and which allow us to meet the expectations of our stakeholders, are discussed in detail in the RISK MANAGEMENT and INTERNAL CONTROL section of this Annual Report.

In managing the organization's exposure to risk, the Board reviews processes on a regular basis to ensure that they are well designed, disciplined, independent, objective and quantitative. This process also seeks to be compliant with regulatory standards and sensible business practices. Processes to manage risks associated with global markets, lending, processing, technology and general business risks require a comprehensive and integrated system of policies and controls to ensure the integrity of the Bank's business model and to preserve stability and enhance profitability. Underlying these processes and systems, Management stresses a culture of personal responsibility and mutual surveillance in the common interest.

The Bank seeks to generate revenues from a number of diversified sources - all of which imply a certain level of exposure to a variety of risks - while at the same time operating within reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business. They also reflect the specific experience of Management and our business managers and are updated via regulatory or legislative measures. Regular and frequent internal communication of policies of the Bank's policies and appetite regarding risk are key steps in the process. Such communications include, but are not limited to, the Bank's adherence to prudential regulations and capacity to monitor transactions appropriately, our knowledge of clients and understanding of markets, the regulatory environment in which we operate, and our appetite from time to time for certain risks given market conditions.

The appetite for assuming risks is reviewed at regular intervals, from daily to annually, and are reflected in limits, and controls over exposures against those limits. Our business relies heavily on the confidence we have in our people and on the reliability of our systems to process operations on a continuous and relatively error-free basis. Generally, the process begins with identifying risk, then measuring, controlling and eventually reporting risk internally and externally at appropriate intervals.

BiG operates in a challenging environment of macroeconomic and financial uncertainty, as well as increasing regulation and scrutiny. Given that banking is about confidence and perception, Management focuses on ensuring that the Bank's processes can survive volatile market conditions. We then test these processes and our assumptions regularly and are attentive to the integrity of our controls and the maintenance of overall internal discipline in the face of unusual events.

Bank-wide, we use a number of techniques to review and analyze the risks to which we are exposed, which are discussed in detail in Risk Management and the Notes to the Consolidated Statements. These include market risks, credit risks, operational risk, and reputational risk, among others. Control techniques involve a range of stress tests, performed daily, which are adjusted from time to time and which examine results of scenarios for all major asset classes and portfolios. They include stress testing concepts such as concentration risks, liquidity and funding scenarios, as well as potential changes to the Bank's solvency ratios under unexpected and unlikely conditions. Scenarios are developed by Management and the Bank's Market Risk group, and generally coincide with, or exceed, those recommended by our regulators. Simultaneously, we monitor value at risk (VaR) on a daily basis, run sensitivity analyses of our exposure to interest rates, and use a number of limits for market risk. These are linked with basic credit-related measures and operational procedures to ensure over-lapping controls over all significant exposures.

For the year, credit exposures, excluding RMBS, have grown in a controlled manner, while asset quality, as measured by the current and historical level of non-performing assets and credit-at-risk remained satisfactory. Assessments made by major external credit rating agencies on the long-term debt ratings of prime Portuguese issuers, which include the Government and the major banks, have improved generally. In the case of the sovereign, several major ratings agencies have upgraded their assessments to investment grade during 2017. Internal and external ratings are employed to measure levels of expected credit losses and to evaluate positions and their expected evolution. **For BiG, credit-related losses, as well as costs associated with operating risks, were negligible for the year 2017, in line with prior years.**

Other Factors that Affect our Business

The Bank manages a number of risks inherent to the banking business. In addition to those risks summarized above, which are discussed in greater detail in this Management Discussion and the Notes to the Consolidated Statements, changing economic and political conditions affect the business. This means that macroeconomic and political risks, which tend to weigh on financial markets, can have an impact on business prospects. As Portugal continues to recover from recent difficulties, but still remains with a significant debt over-hang and controlled access to markets, the views of investors, Portugal's Eurozone partners, and other creditors with respect to the country's progress, in absolute and relative terms, directly affects our business.

BiG is not rated by any of the major rating agencies. The Bank's business model is designed to avoid dependence on wholesale, external financial markets for issuance of long-term debt, and to a large extent, short term funding in money markets. Nevertheless, the views by international agencies and other market participants of the Republic, corporates and banks as a whole affect our business directly. The effects of the policies of successive Governments, the relative weakness of the commercial banking sector, the politics of managing budget deficits with no long-term policies for reforming the economy, and the resulting, high-tax environment required to finance the *status quo*, all remain with us, and, to a certain extent, continue to affect growth, employment and investor confidence, relative to more efficient markets. The view by global financial markets of Portugal's country rating, its economic prospects and the banking sector as a whole, has improved, but is far from solidified. This affects the openness of counterparties to do business of any kind in a low-investment grade country, irrespective of the economic fundamentals of individual banks located in the country.

The impact of decisions by Regulators and the State regarding the use of the Resolution Fund, which is managed by the Regulator, but whose growing liabilities are, formally at least, the responsibility of the general banking sector, is a growing source of concern, given the potential consequences on the sector which does not have a say or oversight in how the entity is managed. The process by which *Novo Banco* and other liabilities were acquired by the Fund have weighed heavily on the industry's reputation. Moreover, attracting capital to traditional banking models remains challenging, given the doubts about the business models, credit quality and future profitability of the sector in a low rate environment. These factors, combined with continued the chronic weakness and the structural indebtedness of both the public and private sectors have defined the market's view of credit risk, credit spreads and the cost of funding by the Government, large corporates and banks.

Business Outlook for 2018

The outlook for major world economies is relatively positive, thanks to what appears to be synchronized growth in the U.S, Europe, and Asia, and to a long period of exceptionally low interest rates. The key risks for the coming year include (i) how markets respond to central banks removing the safety net of unusually loose monetary policy; (ii) the combination of rising U.S. interest rates and a major bet to stimulate growth via tax cuts, plus the unpredictability of the Trump presidency, (iii) general complacency fueled by a long bull market in equities, and (iv) possible geopolitical concerns or unexpected events.

For the Portuguese economy – whose modest growth has been driven by positive cyclical, rather than structural factors, of late - the level of vulnerability to external shocks remains high. Optimism has returned, but the challenges should not be underestimated, as most segments of the economy – Government, corporate and consumer – continue to manage very high levels of indebtedness. The banking sector has improved after years of writing off impaired credits, but continues fragile and unlikely to maneuver away from traditional business models. Government policies focus on short term goals and on compromises necessary to maintain a balance between fiscal discipline and accommodations to the radical left parties supporting the minority socialist administration in office. The risks associated with the continued lack of any long-term planning by policy-makers include the possible erosion of business confidence, or worse, at a time when the already slow pace of reform is subordinate to populist movements and political/election pressures.

For 2018, we expect no relief from the now standard addiction to higher, sometimes creative and indirect forms of taxation, possible higher market volatility after a relatively calm 2017, and a business-unfriendly environment generally.

Events Following the Year End 2017

Market conditions – Q1 2018

U.S. equity markets suffered a significant correction in the early weeks of the year, with major indices falling as much as 10% before making a partial recovery. The nature of such a long bull market, combined with rising concerns about inflation, the effects of U.S. tax cuts, and the speed of rate hikes for the dollar, as compared to the still slow unwind of loose monetary policy in Europe, is expected to contribute to higher than average levels of market volatility.

IFRS 9 / MiFID II

As discussed above (for IFRS 9, see “Critical Accounting Policies; for DMIF II, see “Recent Regulatory Developments”) and in more detail in the NOTES TO THE CONSOLIDATED STATEMENTS, these two events entered into effect on January 1, 2018. One is a major accounting change affecting classification and measurement of key portions of the Bank’s earning assets and involved an allocation of a significant portion of the Bank´s Markets, Accounting, Reporting, Risk, IT and Operational areas during 2017.

The second event follows the original Markets in Financial Instruments Directive (MiFID), which in 2007 led to a major shift in the cash equity markets. Where MIFID sought to remove barriers to cross-border financial services within Europe for a safer, more transparent and evenly balanced marketplace as a whole, MIFID II extends these transparency requirements and is designed to produce an even larger impact across the financial landscape. It affects all parties engaged in the dealing and processing of financial instruments, from business and operating models, systems and data, to data, people and processes.

The high-level goals of MiFID II are:

- Increased transparency of markets
- A shift in trading towards more structured marketplaces
- Lower cost market data
- Improved best execution
- Orderly trading behavior within markets
- More explicit costs of trading and investing

BiG Macro Fund

BiG expects to launch a specialized macro fund, under study and negotiation for some time now, during Q2 2018. The fund is directly toward professional investors only and will be domiciled in Ireland.

BiG Spain

During 2017, BiG applied for a branch license to begin specific banking operations in Spain. Once regulatory approval is received (expected during 2018), the unit will be based in Madrid and will focus, initially, on trading platforms, deposit taking, asset management and corporate advisory.

BiG Capitalizer

In Q1, 2018, BiG launched BiG Capitalizer (www.capitalizer.eu), a digital approach to bringing investors and target companies seeking capital together. The site is pan-European and focuses on small and mid-sized companies.

BiG vs. BIC legal dispute on brand confusion

Since Banco BIC did not comply with the decisions handed down by two previous courts, BiG triggered execution of the courts’ sentence, regarding the compulsory pecuniary sanction, by attaching bank account balances of Banco BIC. Banco BIC has opposed the attachment and embargoes associated with the execution, which has been challenged by BiG. The process is in the stage of reviews of proof.

Meanwhile, Banco BIC applied for the registration of the Community trademark “Eurobic” at the European Union Intellectual Property Office (EUIPO) and registration of equivalent national marks with the National Institute of Industrial Property (INPI). BiG filed opposition in all trademark registration proceedings and seeks that Banco BIC withdraw its registration of national trademarks. The process continues currently with EUIPO and is in the stage of gathering the respective proof.

RESULTS OF OPERATIONS FOR 2017

T.13 (Euro 000)

Revenues	2017	2016	2015	2014
Interest income	46,402	46,143	43,865	43,414
Interest expense	-30,448	-20,930	-20,131	-18,275
Net interest margin	**15,953**	**25,214**	**23,733**	**25,138**
Income from capital instruments	0	929	1,518	661
Income from services and commissions	12,375	9,680	15,411	18,329
Expense associated with services and commissions	-1,783	-2,019	-2,709	-6,886
Income from market trading	14,125	-9,265	-48,340	-77,641
Income from financial assets available for sale	42,711	51,541	155,096	183,744
Income from exchange revaluation	-3,580	-2,863	1,502	11,257
Income from the sale of other assets	25,165	3,966	2,986	14,786
Other income	-1,228	-1,491	-492	-13
Net operating income	**103,737**	**75,692**	**148,706**	**169,375**

Source: BiG

The composition of the Bank's net operating income may vary from year to year because of changing financial conditions, regulations and economic conditions globally and domestically. For 2017, the components of the Bank's revenues and their relative weight were generally consistent with prior years and included (i) a decline in net interest margin, (ii) a rise of 38% in net commissions, (iii) significantly higher results from investing and credit activities, (iii) increases in operating expenses, in view of higher confidence in the stability and expansion of our business model, (iv) a reversal of provisions for possible banking risks, and (v) a somewhat higher taxes due to the rise in pre-tax profit.

Net Interest Margin was €15.9 million in 2017 versus €25.2 million in 2016. The decline reflected a modestly higher level of earning assets with declining yields, combined with higher funding costs. Regarding interest income, the combination of (i) lower demand for debt issuance by financial and corporate sectors, and (ii) the continuation of an aggressive policy of monetary easing, resulted in a compression of credit spreads, almost regardless of the quality of the issuer. Overall, Management continued to limit the growth of earning assets to rises in core client deposit base and capital funds. Relatively less expensive funding from the ECB or EUREX repo declined in net terms, and overall, liabilities were managed very conservatively. Net interest margin represented 15.4% of total net revenues in 2017, as compared with 33% in 2016 and 16% in 2015.

Non-interest income for the year was €87.8 million, versus €50.5 million in 2016, and €124.9 million in 2015. The components of this category include (i) income from capital instruments, mainly dividend-yielding equity investments, (ii) commissions from client trading activity and banking services, managing and distributing assets, and advisory assignments for corporate and institutional customers, (iii) revenues from mainly client business, such as structuring products and the gains or costs of managing the underlying hedges, (iv) realized gains associated with managing credit risk and interest rate risk via the trading and assets held for sale portfolio, and (v) other income.

Net commissions derive largely from asset management and brokerage activities from retail and wholesale clients. These businesses include a variety of managed investments and largely self-directed, client trading platforms placed at their disposition to trade cash equities, warrants, futures, foreign exchange, and contracts for difference. This category also includes fees from distribution and custody services, banking fees, such as revenues from ATMs, and retainers and commissions associated with corporate advisory mandates. Revenues from asset management and financial intermediation improved in 2017, as low levels of volatility and near-zero interest rates encouraged clients to seek alternatives to low-yielding deposits. The Bank has been focusing heavily on building its Wealth Management business over the past four years and expects this trend to continue.

Net Revenues from credit and investing combine all categories of Non-Interest income, less net revenues from fees and commissions. In aggregate, income from the Treasury and Markets business for 2017 was €78.4 million, up from €41.9 million in 2016. Within this group of categories, trading revenues rose over the prior year. This category should be seen in conjunction with the next category of investment gains ("Income from financial assets available for sale") as the two form key components of the Bank's business model. They tend to be dependent on market conditions and, as most revenues derive from the market views of clients and the management of positions taken to support client activity, are subject to daily review. These revenues usually involve some margin income, plus realized gains from investing and credit activities in a diversified portfolio of liquid, fixed income securities. They are associated with management of credit concentrations, diversified tenors and country risks. This portfolio is a key to the Bank's management of liquidity and interest rate positions.

We expect that revenues going forward will consist largely of the categories described above. In spite of some relevant changes in the management and measurement of financial assets with the introduction of IFRS 9 in 2018, we do not anticipate a significant departure from current business model or an increase in complexity for the foreseeable future. The respective proportions may vary as client deposits and assets under supervision rise, the balance sheet gradually expands, and as the Bank's coverage of the domestic and selected international markets grows. Areas of emphasis include advisory services, assets under supervision, savings products, and balance sheet management, with a permanent focus on sound asset quality and comfortable levels of excess liquidity.

Total costs include operating costs, provisions and imparities. These are influenced primarily by compensation, the growth in headcount and management's confidence regarding levels of business activity.

For 2017, the aggregate of total expenses, including imparities and provisions, were €32.9 million, versus €17.2 million in 2016, when provisions for general banking risks of €10.9 million were reversed. Excluding the one-time effects of the reversed provisions in 2017 (€2.0 million) and 2016 (€10.9 million), this category was in line with, or below prior years. Imparities were not relevant in 2017 and in 2016.

Net operating expenses or transformation costs net of imparities and provisions – i.e. compensation expense, benefits, general administrative expenses and depreciation/amortization – were 25.6% higher in 2017, following 2016, a year of tighter expense controls and lower investments, in response to declining revenues. Excluding the tightening experiences in 2016, operating expenses of €35.0 million were in line with the levels of 2015 and 2014: €36.9 million and €34.4 million respectively. When measured against revenues generated, the Bank's efficiency ratio improved year on year – 33.6% in 2017 versus 36.7% in 2016 and remained low relative to industry averages.

In general, the Bank tightly controls growth of the balance sheet, in accordance with our view of risks, and views a light operating structure, geared toward scalable processing, as keys to managing capital and the expense base. Compensation, traditionally the Bank's largest single operating expense category, rose 24.2% and represented 66.1% of net operating expenses in 2017, or unchanged relative to 2016, even as headcount increased by 5%. The components of compensation are impacted by, among other things, the level of net revenues, the Bank's overall performance, business line and individual contributions, current labor legislation, and the market environment.

Besides compensation-related expenses, dominant operating expense categories include administrative costs. These expenses include communications, information services, publicity, license fees, arrangements with stock exchanges and related suppliers, occupancy and other expenses related to the normal functioning of the Bank. They tend to be correlated closely with growth in personnel, the level of business activity, and/or associated with specific investments. After a sharp reduction in 2016, administrative expenses returned to levels almost equal to the last four-year average of €9.7 million.

Amortization expenses are related principally to real estate occupied by the Bank, investments in hardware and other equipment and initial license fees associated with software agreements. The portion associated with premises includes the head office building and investments in and improvements to the Bank's branch and ATM network. The Bank regularly invests in its IT infrastructure to ensure quality execution, state of the art security and appropriate redundancy. We invest in outside IT solutions and equipment to support our infrastructure and also have dedicated resources to managing the infrastructure with in-house solutions. This expense category represented 6.0% of total expenses in 2017, or in line with 2016.

Costs associated with Imparities were low, in line with prior years, at 0.03% of net operating revenues. Loan-related imparities

T.14 (Euro 000)

Expenses	2017	2016	2015	2014
Compensation expense	-23,090	-18,581	-23,363	-24,124
General administrative Expense	-9,627	-7,659	-12,262	-9,277
Depreciation and Amortization	-2,110	-1,576	-1,291	-1,028
Net provisions	2,002	10,883	-2,765	-10,256
Imparity of credits net of reversals and recoveries	-5	-3	-67	-35
Imparity of other financial assets net of reversals and recoveries	260	-283	-1,351	0
Imparity of other assets net of reversals and recoveries	11	-31	-6	-174
Total costs	**-32,560**	**-17,249**	**-41,105**	**-44,894**

Source: BiG

T.15 (Euro 000)

Results and Taxation	2017	2016	2015	2014
Operating results	**71,178**	**58,443**	**107,601**	**124,480**
Results of subsidiaries	0	0	0	176
Income before tax and minority interests	**71,178**	**58,443**	**107,601**	**124,656**
Current Taxes	-18,520	-14,805	-32,507	-41,850
Deferred Taxes	-311	74	-585	-277
Net Income	**52,347**	**43,712**	**74,509**	**82,529**

Source: BiG

registered in 2017 were negligible and were consistent with prior years' levels of close to zero.

Pre-Tax income was €71.2 million in 2017, compared with €58.4 million in 2016, and €107.6 million in 2015. For 2017, net provisions for taxes were €18.8 million, versus €14.8 million in 2016 and €33.1 million in 2015. The tax rate rose slightly to 26.5%, from 25.2% in 2016 and 30.8% in 2015.

Operating Results by Business Segments

Internally, Management reviews the performance of the Bank at the level of major business lines, sales teams and product areas, using objective criteria and the Bank's actual accounts as a reference. In broad terms, Management reviews results on the basis of a matrix of two main business segments: Wealth Management and Advisory, and Treasury and Capital Markets. Below are detailed operating results of the Bank's two main business segments, based on an internal management presentation of our revenues and expenses associated with their activity for the year. In this format, revenues are allocated by client segment or business area; costs are allocated based on actual expenditures by area and a general division of operating expenses based on headcount per business, among other factors.

The Wealth Management and Advisory business contributed €26.0 million in net revenues for 2017, as compared with €29.9 million for 2016. The main contributions came from net commissions, which included brokerage and asset management activities, and margin income, associated with the liability margin allocated from mainly savings and investment products, as opposed to lending products. Net commissions rose 38%, and growth in this segment tends to be sustained, not explosive. This area generates a majority of the client-related funding of the Bank. The allocation of margin declined because of the significant and rapid drop in market rates, among other factors, a trend we expect to slow, given the already low rate environment. The contribution of the segment to total net revenues also declined on a relative basis.

Commissions from brokerage, asset management and banking operations represented 38% of the total in 2017, versus 22% the year before. The trend reflects the emphasis on asset accumulation involving activities in savings, investment, trading, custody and normal banking transactions. For a number of reasons – higher competition for deposits from banks with different businesses to fund, and a decline in market rates to near zero in Europe's slow-growth environment – we expect to see a shift in the mix of revenues, in favor of commissions over funding-related margin activity.

The retail sub-segment of BiG Wealth Management and Advisory business is a combination of a specialized trading and investment platform and an integrated full-service banking offering for the private individual. The approach combines "high touch," or personalized service, with "low touch," associated with electronic means of transacting business. Products and services include checking accounts, debit and credit cards, payment services and, to a lesser extent, certain consumer credit arrangements, such as auto loans and mortgages. The platform provides a range of savings and investment products from general banking and credit arrangements for the client requiring assistance, to more sophisticated online trading and investment platforms for self-directed clients. These include trading in equities, warrants, futures, foreign exchange, CFDs (contracts for difference), and third party mutual funds. We reach clients via a number of integrated channels, including via internet, telephone and physical branches, manned by trained financial consultants. The range of products and distribution methods are designed to reach a large number of target clients with different investment profiles, appetites for risk and transaction needs in an efficient manner.

The Institutional and Corporate Advisory sub-segments of this business features specialized sales teams and tailored solutions for wholesale clients with specific

T.16 (Euro 000)

Wealth Management and Advisory Services	2017	(%)	2016	(%)	2015	(%)	2014	(%)
Fees and Commissions - Core Business	9,972	38%	6,779	23%	11,420	33%	10,313	29%
Margin	5,177	20%	5,023	17%	5,442	16%	10,012	28%
Other Banking Commissions	1,194	5%	1,988	7%	1,978	6%	1,902	5%
Trading / Sales	338	1%	323	1%	434	1%	618	2%
Corporate Finance	849	3%	503	2%	922	3%	810	2%
Additional Margin Allocated	8,478	33%	15,321	51%	14,446	42%	12,282	34%
Net Revenues	**26,009**	**100%**	**29,935**	**100%**	**34,642**	**100%**	**35,937**	**100%**
Operating Expenses	-20,196		-17,672		-19,654		-21,135	
Pre-tax Income	5,812		12,264		14,988		14,803	
% Operating Revenues / Total Segments Revenues	24%		38%		23%		21%	
% Operating Expenses / Total Segments Expenses	79%		76%		79%		81%	

% based without Excess Margin
Source: BiG

T.17 (Euro 000)

Treasury & Capital Markets	2017	(%)	2016	(%)	2015	(%)	2014	(%)
Income from capital instruments	0	0%	929	2%	1,518	1%	661	0%
Profit / loss of assets and liabilities at fair value through Profit & Loss	14,125	17%	-9,265	-19%	-48,340	-42%	-77,641	-57%
Profit / loss of financial assets available for sale	42,711	53%	51,541	105%	155,096	135%	183,744	135%
Profit / loss from exchange revaluation	-3,580	-4%	-2,863	-6%	1,502	1%	11,257	8%
Results from sale of other assets	25,165	31%	3,966	8%	2,986	3%	14,786	11%
Impairment of other financial assets net of reversals and recoveries	260	0%	-283	-1%	-1,351	-1%	0	0%
Addicional Margin Allocated	2,298	3%	4,870	10%	3,844	3%	2,844	2%
Net Revenues	**80,978**	**100%**	**48,895**	**100%**	**115,256**	**100%**	**135,651**	**100%**
Operating Expenses	-5,474		-5,617		-5,230		-4,894	
Pre-tax Income	75,504		43,278		110,026		130,757	
% Operating Revenues / Total Segments Revenues	76%		62%		77%		79%	
% Operating Expenses / Total Segments Expenses	21%		24%		21%		19%	

Source: BiG

needs. Product offerings include institutional asset management, brokerage, risk management, sales of tailored investment products, and independent advisory services for corporate, banking and institutional clients.

The Treasury and Capital Markets business segment seeks to generate revenues, while managing the exposure of the Bank and the products sold to clients of the Bank in such areas as interest rates, foreign exchange, fixed income, equities and derivative instruments. The business focuses on managing the Bank's liquidity and exposure to interest rate risk, in conjunction with credit activities and their concentrations. Credit exposures are managed via liquid debt instruments of quality corporate, financial and sovereign issuers for a variety of maturities. The Bank may also trade in major foreign currency instruments, interest rate and equity futures, futures on major indices and a variety of options and similar instruments, mainly in connection with client business, or as part of its hedging activities. In managing the various trading books, the activity of the Treasury and Capital Markets team touches on many areas internally and is a source of expertise, market risk management and consistent profitability for the organization.

For 2017, on an internal management basis, the area generated pre-tax revenues, net of operating costs and imparities, of € 81.0 million, as compared to €48.9 million in 2016 and €115.3 million for 2015. The generation of revenues suggests a fairly normal distribution during the past year, as indicated in F.4.

Balance Sheet and Sources of Funding

Balance Sheet Management

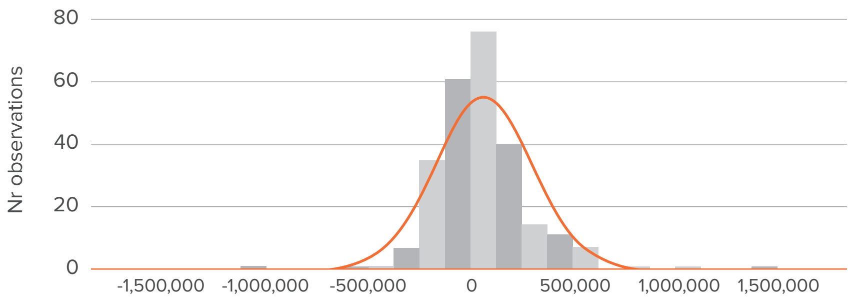
For the past several years, growth in the balance sheet has been modest and contained, substantially, by the level of increase in retail deposits and reinvested current earnings. BiG's assets and liabilities advanced moderately from the prior year-end period because of a steady level of stable retail client deposits, a moderate level of wholesale funding at negative rates, and a rise in of total capital, which together funded a slightly larger and diversified available-for-sale portfolio of mainly liquid fixed income securities and loan assets. Generally, and as in prior years, changes in nature of the balance sheet are gradual, with year-end levels of assets not differing materially from balance sheets on other reporting dates throughout the year.

Close attention to the size and composition of the Bank's balance sheet is one of Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a number of factors. These include (i) the nature and availability of stable sources of funding, (ii) the level of the Bank's capital or own funds, based on actual and stressed, or hypothetical levels, and (iii) Management's overall view of opportunities and associated risks. The process involves regular review and planning of available investment opportunities and funding strategies via the ALCO (asset and liability) committee, limits on balance sheet growth by business, asset class or concentration, daily monitoring of key metrics by Risk Management, and importantly, the use of scenario analyses and stress tests as an essential disciplinary tool. Most earning assets of the Bank are securities classified as AFS (under IAS 39). They are marked to market daily and are used to manage the Bank's exposure to movements in interest rates and to invest excess liquid funds.

Our risk framework has been based, for many years, on a core strategy of maintaining an exceptionally liquid balance

F.4 (Euro)

Distribution of profit and losses 2017



T.18 (Euro 000)

Key Balance Sheet Items	2017	2016	2015	2014
Total Net Assets	1,851,222	1,759,030	1,542,063	1,444,517
Earning Assets	1,797,877	1,660,135	1,478,311	1,360,783
Assets Held to Maturity	0	0	0	0
Loans to Total Net Assets	16.7%	24.9%	24.4%	9.4%
Deposits from Central Banks	0	0	165,007	180,173
Funding from other Credit Institutions	410,261	396,823	171,220	108,264
Deposits from Clients	1,035,794	1,049,050	885,486	804,736

Source: BiG

sheet. The Bank's processes and procedures encourage a dynamic management of our assets and liabilities and include:

- Daily review and at least weekly planning of key asset and liability items;
- Daily monitoring of key risk measures and utilization of capital;
- Extensive use of scenario analyses, compiled and analyzed on a daily basis;
- Annual projections of funding and capital requirements for a multi-year period;
- Annual review of limits, or more frequently, as required.

Key inter-related concepts of liquidity management, controls over asset quality and capital adequacy are discussed in the chapters contained in this Management Discussion covering Market Risk Management, Credit Risk Management and Internal Capital Adequacy.

Total Net Assets at year-end 2017 were just under €1.9 billion, as compared with €1.8 billion at 31/12/16. Earning Assets at 31/12/17 were €1.8 billion, or 97% of Total Net Assets, and were 8% higher in absolute terms in relation to the prior year-end date.

Deposits with Banks are used to manage short-term liquidity and reserve requirements with the central bank and main counterparties. Including RMBS classified as loans, this category represented 17% of earning assets. A small portion of the Bank's loan book at year-end included mainly margin accounts to retail clients. These facilities are short term in nature and structured to be self-liquidating in stressful conditions. At year-end 2017, essentially all of loan assets in this class were fully collateralized and are, therefore, lower risk. Loans of this nature to clients tend to grow with a rising market and to decline in periods of stress, as has been the case, particularly since 2011 (see Credit Risk Management).

The AFS portfolio grew because of higher levels of liquidity. AFS represented 72% of total earning assets at 31/12/17, or slightly higher than the level for prior year, and included a variety of sovereign and senior corporate debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year.

T.19 (Euro 000)

Earning Assets	2017	2016	2015	2014
Deposits with Banks	157,734	126,138	82,313	105,803
Loans	309,094	437,485	376,820	136,162
Trading Securities	30,330	13,482	18,093	27,840
Available for Sale Securities	1,300,718	1,083,030	1,001,084	1,090,978
Total	**1,797,877**	**1,660,135**	**1,478,311**	**1,360,783**

Source: BiG

T.20 (Euro 000)

Main Liabilities and Capital	2017	2016	2015	2014
Deposits from central banks	0	0	165,007	180,173
Financial liabilities held for trading	543	1,148	1,699	5,614
Deposits from other banks	410,261	396,823	171,220	108,264
Client Deposits	1,035,794	1,049,050	885,486	804,736
Shareholder funds	339,533	265,611	276,364	261,369

Source: BiG

The decision to either hold securities for margin income or divest is decided at the level of the Bank's Asset and Liability Committee (ALCO), and takes into consideration market conditions, credit concentrations and the Bank's over-all liquidity profile.

Main sources of funding were, as in prior years, client deposits, capital, and funding via sale/repurchase agreements with market participants, such as Eurex Repo and other banks. Client deposits are mainly retail in nature and were essentially unchanged at €1.035 billion, as clients tended to move into higher risk instruments in response to near-zero interest rates. Deposits taken from the ECB were zero for the full year. Deposits taken from other banks are mainly repurchase agreements with international counterparties, and include EUREX REPO, which the bank joined as clearing member during 2011.

Through the ALCO process, which provides a view of the nature of the concentrations and liquidity of our assets, combined with conservative management of the funding mix described before, we seek to ensure that substantial excess cash positions are maintained at all times to meet normal, and via analysis of our stress testing scenarios, hypothetical out-flows of funds. For further details on secured funding and client deposits, please refer to Summary Analysis – Liquidity and Liquidity Risk Management and Notes 28, 29 and 39.

Shareholder Funds: Shareholder Funds at 31/12/17 were €339.5 million, as compared with €265.6 million on the same date in 2016. The number of common shares issued – with a nominal value of one euro each, fully subscribed and paid up – rose to 171.9 million, which included 15.9 million new ordinary shares issued in mid-December 2017, as part of a small rights issue directed toward existing shareholders and Bank staff. The main components affecting the increase in shareholder value since the end of 2016 date have been other reserves/retained earnings, current earnings/net income and the payment of dividends.

Regulatory Capital: BiG's primary regulator is the Bank of Portugal and in accordance with banking regulations, we are subject to consolidated risk-based regulatory capital requirements. In broad terms, regulatory capital is used as a basis for measuring key aspects of our banking business and involves a number of regular adjustments to the Bank's capital account, which are then reported regularly. Capital requirements are expressed as capital ratios that compare adjusted capital to risk-weighted assets. The Bank's regular and required reporting of Core Tier 1 and other solvency ratios are a key part of the regulatory capital process.

Profitability measures improved in 2017. **Return on Average Equity (ROE) was 17.3%, as compared to 16.1% for 2016**. The Bank's efficiency ratio moved to 33.6%, versus 36.7% for 2016, and continues to compare favorably to the Bank's peers.

T.21 (Euro 000)

Shareholders Capital	2017	2016	2015	2014
Common Stock	171,947	156,000	156,000	104,000
Issue Premiums	1,362	1,362	1,362	1,362
Other Capital Instruments	0	0	0	0
Treasury Stock	-2	-2	-2	-153
Revaluation Reserves	-63,827	-87,095	-48,229	-7,284
Other Reserves / Retained Earnings	188,627	160,994	105,204	96,515
Other Deductions	0	0	0	0
Net Income	52,347	43,712	74,509	82,529
Antecipated Dividends	-10,920	-9,360	-12,480	-15,600
Total Shareholders Capital	339,533	265,611	276,364	261,369
Book value per share	1.97	1.70	1.77	2.51
Net assets / Equity	5.45	6.62	5.58	5.53

Source: BiG

T.22

(Euro 000)

Consolidated Regulatory Capital	2017	2016	2015	2014
Shareholders Equity	**339,533**	**265,611**	**276,364**	**261,369**
Dividends payable	-13,755	-6,240	-6,240	-6,240
Intangible Assets	-1,995	-2,567	-2,628	-639
Remuneration Deposits above Thresold	0	-46	-61	-234
Revaluation Reserves	12,465	34,193	45,308	7,043
Own Funds	**329,790**	**290,951**	**312,743**	**261,300**
Risk-weighted assets	731,483	921,344	943,215	744,365
Common Equity Tier 1 Capital ratio	45.1%	31.6%	33.2%	35.1%
Tier 1 Capital ratio	45.1%	31.6%	33.2%	35.1%
Total capital ratio	45.1%	31.6%	33.2%	35.1%

Source: BiG

T.23

Performance Measures	2017	2016	2015	2014
Profitability				
Return on Assets (ROA)	2.9%	2.6%	5.0%	6.2%
Return on Equity (ROE)	17.3%	16.1%	27.7%	35.2%
Operating Revenues / Average Net Assets	5.7%	4.6%	10.0%	12.7%
Efficiency				
Net Margin / Earning Assets	0.9%	1.5%	1.6%	1.8%
Operating Expenses / Operating Income	33.6%	36.7%	24.8%	20.3%
Personnel Expenses / Operating Income	22.3%	24.5%	15.7%	14.2%
Solvency				
TIER 1 Capital Ratio	45.1%	31.6%	33.2%	35.1%
Total Capital Ratio	45.1%	31.6%	33.2%	35.1%

Source: BiG

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

Management views the assumption and control of Risks as inherent to our business. They include, generally, market, liquidity, interest rate, credit, operational, technology, compliance and reputational risks. Management believes, moreover, that effective management of risk, which is at the core of our business of creating value for shareholders, has been a key to the Bank's progress and is essential to our future success.

To identify and manage these risks, which are inter-related, the Bank has a comprehensive and integrated system of internal controls, policies and procedures. These are both quantitative and qualitative in nature. The Executive Board reviews, approves, and oversees the respective risk management functions and ensures compliance with policies and procedures, either as a group or by delegation. Generally, our systems and policies are designed to ensure effective processing, reliable systems, appropriate risk taking, daily or intra-day measurement of positions, independent reporting and responsible behavior. Policies and procedures on enforcement also seek to ensure respect for and adherence to internal, regulatory, legal and prudential guidelines designed to protect the interests of clients and shareholders, while preserving and protecting the reputation of the Bank.

As part of its processes to measure the main risks inherent to banking, mentioned above, Management relies on a variety of stress testing scenarios in addition to other methodologies. These are subject to continuous review, and are associated with some of the paradigm-changing events linked to domestic and global political and economic events, which have defined the past few years. Such events have had a significant impact on long-standing market practices, regulations or assumptions, as well as market prices and expectations. These risks figure prominently in our view and measurement of market, liquidity and credit risks. For additional information, including stress tests for reputational and correlation risks please refer to Note 39.

The risk framework, in broad terms, includes (i) the governance structure, (ii) the Bank's policies and procedures, and (iii) the people involved directly in the firm-wide or individual risk control units.

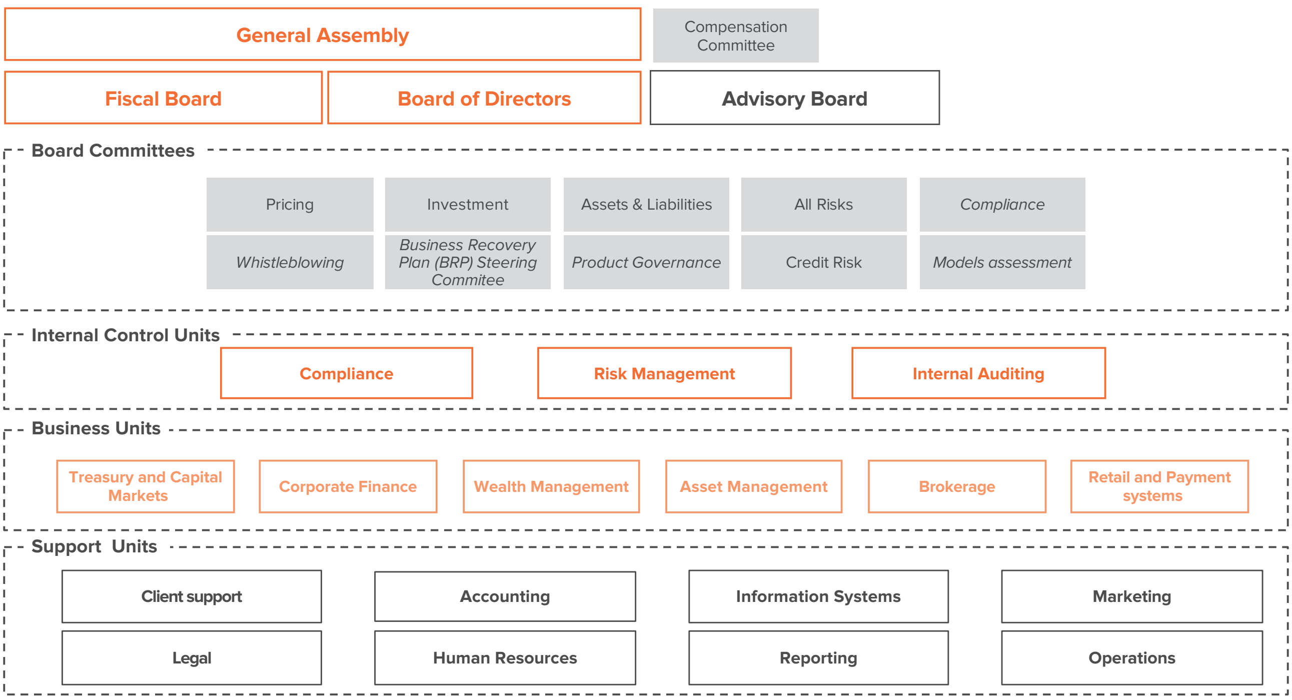
Governance Structure

Primary responsibility for monitoring risks throughout the Bank rests with Board of Directors, the Bank's All Risks Committee and various sub-groups, which monitor specific risk areas. The All Risks Committee combines the various individual control functions and functional groups overseeing Risk Management (discussed in detail below) and the Compliance area of the Bank.

Presiding over the Governance Structure is the executive Board of Directors. The Bank recognizes the role of the Board in overseeing risks and believes that proper controls are key to generating value for shareholders in a controlled environment. It is the responsibility of the Board to provide guidance on strategy and risk appetite, approve policies and maintain an integrated view of risk exposures.

An overview of the Bank's structure of governance for managing risks is presented in F.5.

F.5



F.6

Identifying

- Risk units
- Internal Auditing
- Internal Control
- Board of Directors
- Business Units

Measuring and monitoring

- Risk Units
- Business Units
- Accounting
- Auditing
- Internal Control
- Back Office and Middle Office

Reporting

- Risk Units
- *Reporting*
- Back Office and Middle Office
- Internal Control
- Accounting
- Internal Auditing

Action Plan

- Board of Directors
- Internal Committees
- Business Managers

General Policies and Processes

Management reviews policies, procedures and any underlying regulatory changes regularly, and seeks to ensure their clear communication throughout the organization as a basis for building a sound, operating environment. The nature of the governance structure for risk and the existence of clear policies aim to ensure that processes associated with four key steps in the risk management process - identifying, measuring, reporting and controlling risk exposures to potential losses - are in accordance with sound banking practices and regulatory standards.

In managing exposures to risk, the Bank is guided by the following basic principles:

- Regular review of policies, procedures and regulations by Senior Management;
- Formal definition of responsibilities for risk management in the Bank;
- Policies and procedures to ensure independent oversight;
- Appropriate diversification of risks and formal review of concentrations;
- Systems of independent measurement and reporting;
- Overlapping systems to measure and control risk;
- Training to assist in identifying risk across business areas.

Critical policies and processes include: (i) the relatively active management of our positions, (ii) marking to market the majority of our earning assets on a daily basis, (iii) daily or intra-day review of our financial exposures and net revenues, (iv) daily, independent review of credit exposures, controls over limits and accounting processes, (v) independent reporting and regular dialogue among revenue-producing teams and independent risk control and support functions, (vi) extensive, and often extreme, stress testing procedures, and (vii) the direct involvement of Management in the process of controlling risks and encouraging the rapid communication of escalating risks.

Measuring Risk

In taking decisions and in managing risk, Management applies its business judgment in combination with a variety of quantitative tools and systems used to monitor and measure exposures. These are discussed in the following sections and include:

- Extensive use of scenario stress testing;
- Market Risk Limits based on VaR (Value at Risk);
- Sensitivity analyses, particularly with interest rate risk;
- Measurement of exposures based on Basis Point Values (bpvs);
- Control of limits by counterparty, family, asset class and portfolio;
- Concentration Limits;
- Qualitative analysis and procedures.

The process requires regular self-assessment exercises, updates in techniques and periodic changes of assumptions, as well as adherence to changing regulatory and accounting issues. As a result, this is a daily focus of Management, line functions and support areas. We assume as part of the process that no single methodology to measure risks is sufficient by itself to provide a complete picture of our exposures. Management and risk oversight teams, therefore, often review risks, particularly market-related risks, with a combination of approaches. As a policy, we seek to quantify the potential for losses associated with every aspect of our business, so as to have a reasonable prior estimate of potential damages in the event of unexpected events. These can range from those that are possible, based on recent historical data, to those that we deem to be highly unlikely, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

From Management's point of view:

- **Market risk** usually involves at least a daily review of all of the above measures;
- **Liquidity risk and Interest rate risk** focus on a number of methodologies, among which basis point values and scenario analyses;
- **Credit risk** generally focuses on nominal and fractional exposures, concentrations by borrower or group, sector or geography and stress testing;
- **Derivatives** exposures are measured with sensitivity analyses of exposures measured in basis points;

- **Operational risk, Reputation risk and Correlation risk**, which involve some of the more subjective risks to which the Bank may be exposed, usually depend on scenario analyses in order arrive at quantitative estimates.

Limits and Controls

Limits on all risk activities are essential to the process of controlling risks and involve a series of frequently-reviewed restrictions organized by class of product, by tenor, and by individual trader. They may be measured via a combination of non-statistical measures, including basis point values (bpvs), and statistical measures, such as Value at Risk (VaR), discussed below.

Management and the Market Risk function work closely to ensure continuous update, daily reporting, dialogue and review of assumptions and models. A number of criteria are used for determining appropriate limits on risk-taking associated with trading and investment risk-taking, including our current and historical analyses of markets, statistics on volatility and liquidity, fundamental and technical analysis, the level of experience and performance of traders and managers, and importantly, the Bank's appetite for risk in accordance with market conditions.

Approved limits specifying authorized exposures by counterparty and concentrations by asset class are reviewed on a periodic basis and are communicated formally and periodically to managers, traders, sales staff and back office personnel. All personnel are responsible for adhering to approved limits, which are monitored by separate and independent middle and back office functions to ensure that positions are valued and recorded accurately.

Reporting

On a daily basis, risk management and back office functions compile and report positions to Management based on established statistical and non-statistical measures. Exceeded limits are reported to Senior Management immediately and action is taken to guarantee compliance with the limit. Such formal controls are enhanced by informal systems of monitoring position taking and limits, including at least daily meetings by Senior Management with markets areas to review positions and evaluate trends. Reports on daily stress tests serve as a basis for discussion on the appropriateness of exposures and the need to take action to reduce risk concentrations via the sale or repositioning of our positions, or hedging of risks.

Risk control units

Each of the internal risk committees - the Asset and Liability Committee, the Credit Risk Committee, the Investment Committee and groups responsible for such areas as Internal Audit, Compliance, Operating risks and Technology risks - includes individuals responsible for day to day controls. Each also includes, normally, at least two other members of the Board. Within limits established by the Board, these committees have decision-making authority in their respective areas. Daily events of an exceptional nature require the approval of at least two Executive Directors. Major exposures or significant policy decisions falling outside of these limits require review and approval of the general Board of Directors. In addition, the Bank's All Risks Committee meets regularly to ensure proper communication, regulatory compliance and understanding of the inter-relationship of risks across various areas of the Bank.

Market Risk

Market Risk represents the possible decline in the value of financial instruments as a result of changes in market conditions. Key risks that we manage in our markets activities, as they may have a direct impact on the Bank's daily profit and loss account, and/or on the Fair Value Reserve of the capital account, include:

- Fixed Income Risks, resulting from movements in prices in assets held for trading or available for sale;

- Equity Price Risk, resulting from exposures to changes in underlying prices and volatility;

- Currency Rate Risk, resulting from exposure to changes in spot prices, forward prices and volatility;

- Derivatives Risk, resulting from the management of our exposure to changes in the prices of underlying assets used to hedge client product and positions.

In managing the above risks, the Board delegates day-to-day oversight and control to its Asset and Liability Committee and Market Risk Unit. These groups are chaired by the CEO and include other members of the Board, in addition to other business managers involved of both revenue-producing units and risk control teams.

Underlying the committees are the primary risk control units – Market and Credit Risk - which are responsible for reviewing methodologies for measuring risk and limits for all investment and trading activities. They also control broad investment management decisions discussed at the level of ALCO, review models and analytics associated with calculating value at risk limits within both Bank and client portfolios, and are responsible for conducting daily portfolio stress tests, as well as overseeing the independent control and enforcement of limits on risk taking by front office personnel. In addition, the group seeks to ensure an efficient balance between risks and returns, as well an appropriate level of volatility in operating results.

In its treasury and market activities, BiG seeks to generate revenues while managing its exposure to adverse changes in the value of financial instruments across various markets, products and portfolios. To manage and report risks, Management establishes and reviews, on a periodic basis, comprehensive procedures and systems designed to ensure levels of control commensurate with the Bank's capital and business objectives.

The Market Risk function, along with Management, Compliance and other operating areas, reviews policies and procedures on product development to ensure that levels of risk assumed by clients, and as marketed by BiG, are appropriate in the circumstances. Some members of the ALCO are also part of the Bank's Investment Committee, which oversees trends, allocations and policies with respect to the management of third party or client assets, including responsibilities associated with advisory and discretionary mandates. The activities of this area, while separate from the Bank's own portfolio, are subject to the same type of control mechanisms and procedures as those exercised by the Bank in the management of its own capital. Both groups meet regularly and, as they normally include two or more Board members, have the authority to decide on day-to-day issues. Major exposures or significant policies are generally put before the general Board of Directors for prior review.

Methodologies

The Bank utilizes a number of different methodologies to measure and control market-related exposures, which are analyzed in conjunction with information covering country and counter-party risks. Often risks are managed through a process of diversifying exposures, controlling position sizes, and establishing hedges in related securities or derivatives. Key quantitative tools used to measure and control exposures efficiently include statistical measures and a number of non-statistical measures, among which:

- VaR (Value at Risk);
- Stress testing;
- Controls over Basis point values;
- Greeks sensitivity.

The Bank employs these systems simultaneously with others, such as loss advisories and daily controls over concentrations of risk, to ensure the integrity of the process in the event that one or more methodologies should fail, as a result of some extraordinary event occurring in the markets.

Value at Risk (VaR)

VaR, which measures risk assuming normal market conditions, is combined with non-statistical measures, including stress testing, back testing and stop loss advisories, to ensure proper controls over expected returns by risk type under all market conditions. The Bank calculates VaR using historical series to calculate the volatility, the one-year time horizon and a 99% confidence level. This means that the Bank would expect to incur losses greater than the predicted VaR estimates only once in every 100 trading days or approximately 2.5 times per year. Since VaR is a theoretical approach based on historical returns, the model has limitations and may not always produce accurate predictions of future market risk. Changes in VaR between reporting periods, for example, are due generally to changes in levels of exposure, volatility and correlation among securities.

T.24 (Euro)

Trading VaR 2017 (vs 2016)	2017 December	2017 Average	2017 Maximum	2017 Minimum	2016 December	2016 Average	2016 Maximum	2016 Minimum
Foreign exchange risk	24,504	45,121	218,480	2,878	9,776	131,982	359,775	6,189
Interest Rate Risk	81,794	345,796	1,778,772	15,332	39,756	354,548	2,170,589	17,467
Equity	411,277	344,265	536,501	37,461	26,986	308,454	1,216,188	26,986
Options	166,894	149,194	246,558	54,526	110,665	116,878	399,005	20,992
Diversification	47%	41%			17%	30%		
Total VaR	**363,883**	**519,292**	**1,908,212**	**94,738**	**155,751**	**635,924**	**2,483,922**	**134,179**

Source: BiG

T.25 (Euro)

Investment VaR 2017 (vs 2016)	2017 December	2017 Average	2017 Maximum	2017 Minimum	2016 December	2016 Average	2016 Maximum	2016 Minimum
Interest Rate Risk	11,415,642	12,487,626	14,348,522	9,507,150	13,300,264	15,058,418	19,547,716	9,944,538
Equity	27,892	6,082	144,417	0	0	804,110	1,710,551	0
Diversification	0%	0%			0%	2%		
Total VaR	**11,426,484**	**12,489,022**	**14,348,522**	**9,507,150**	**13,300,264**	**15,571,493**	**20,192,592**	**10,611,421**

Source: BiG

Summary of key terms used in this section:
VaR: *Loss expected within the confidence level indicated; larger losses may be possible, but have a correspondingly lower probability of happening.*
Back-testing: *Process of validating a model by comparing its predictions to actual results.*
Confidence level: *Probability that actual losses will not exceed the estimated value at risk, the greater the confidence level, the higher the value at risk.*
Diversification Effect: *Represents the gain, in risk terms, of having a diversified portfolio.*

Limits Utilization – VaR

T.26 (Euro)

Trading		
VaR	**Limit**	**Usage**
363,883	3,255,000	11%

	Limits	29/12/2017	28/12/2017	Δ	Excess
Equity	1,800,000	411,277	419,227	-7,950	-
Options	400,000	166,894	169,143	-2,249	-
Interest Rate Risk	2,200,000	81,794	81,945	-151	-
Foreign exchange risk	400,000	24,504	21,002	3,502	-

Source: BiG

T.27 (Euro)

Investment		
VaR	**Limit**	**Usage**
11,426,484	25,000,000	46%

	Limits	29/12/2017	28/12/2017	Δ	Excess
Equity	2,000,000	27,892	28,021	-129	-
Interest Rate	23,000,000	11,415,642	11,496,146	-80,505	-

Source: BiG

T.28 (Euro)

Sector	Average VaR
Basic Materials	154,650
Communications	4,779
Consumer, Cyclical	14,213
Consumer, Non-cyclical	23,249
Financial	41,538
Government	13,460,979
Industrial	222,104
Utilities	78,805
Energy	79,394
Technology	5,208
Funds	70,914

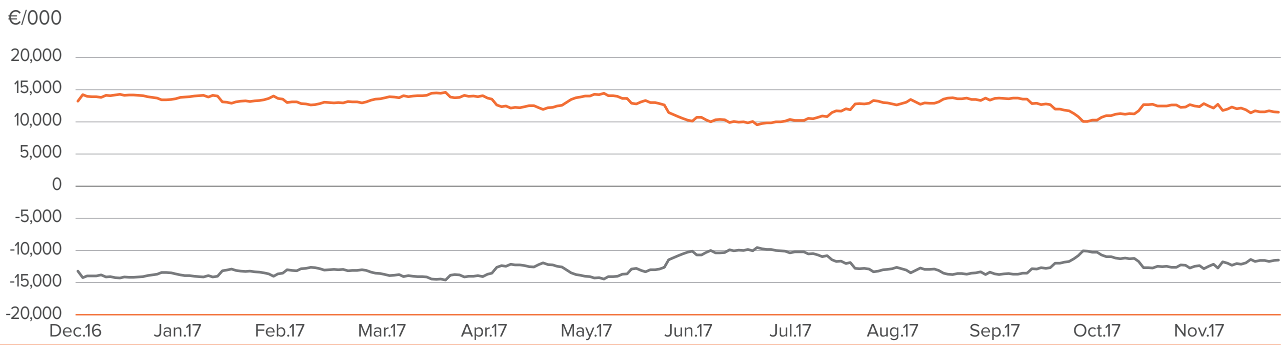
Source: BiG

Trading VaR and Investment VaR seen as a whole:

F.7

-VaR VaR

Total VaR

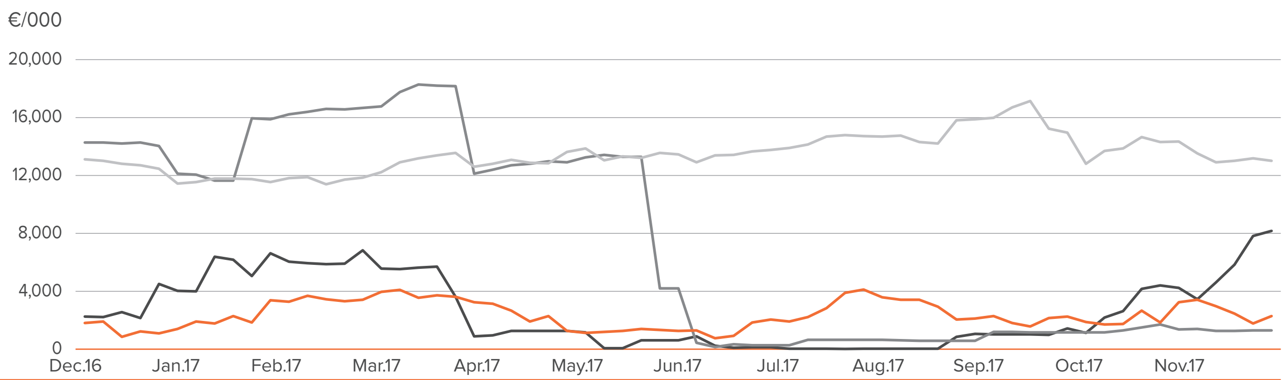


VaR by Sector

F.8

Industrial Government (Secondary axis) Energy Basic Materials

VaR by Sector



Results of back testing of the trading book during 2017 indicate that there were three trading days in which losses exceeded VaR levels. Trading limits, and in line with prior years, were lower and less used, on average, than investment limits, with most value at risk concentrated in the Bank's AFS portfolio.

Components and concentrations of the portfolio are typically dynamic as the Bank seeks to maximize stable flows of revenue, while maximizing flexibility to recognize gains and to maintain high levels of available liquidity. Utilization of Investment limits stood at approximately 46% during 2017, versus 53% in 2016 and reflects a modest decrease in risk-taking. The highest levels of VaR were associated with the fixed income portfolio, reflecting concentrations in that class of instrument. Further detail on exposures may be found in the Managing Concentration Risk section of this report.

VaR analysis of fixed and variable income asset classes by sector indicate the largest exposures, on average through 2017, were associated with Government issues, followed to a lesser extent by Industrial, Basic Materials and Energy. The concentration in Government had to do with the larger availability and liquidity of issues from that segment as compared with others, which have to tended to yield lower returns as a function of credit risk in a market inundated with liquidity.

Liquidity VaR

Liquidity VaR measures the expected loss associated with the above sector analysis, adjusted for the liquidity of the respective asset class. The addition of the liquidity component is a more conservative view of the VaR in that it introduces the spread between the bid/ask prices of assets. In moments of stress, the bid/ask spread widens as a function of reduced liquidity. The table T.29 shows the comparative analysis between the average liquidity VaR and the average VaR for different asset classes held by the Bank, where "L1" is a function of the "bid /ask" spread.

Stress Testing

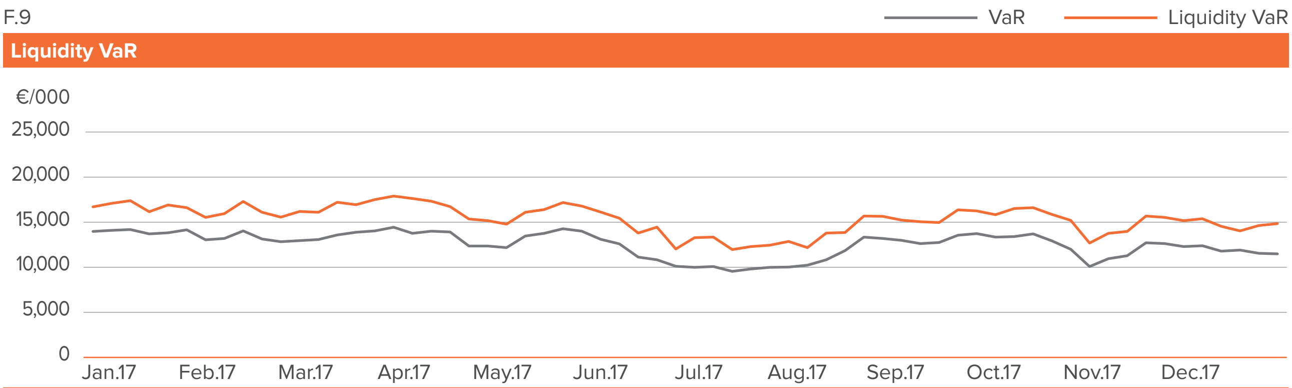
The Bank does extensive stress testing of its positions and considers this approach, in combination with VaR measurements, to be an essential tool for managing market risks. With stress testing, the Bank seeks to estimate the potential losses associated with an instrument, book or portfolio under different scenarios. On a daily basis, we use 16 scenarios to test 96 different positions across the Bank's trading and investment portfolios assuming certain worst-case historical market events. These scenarios are revised frequently as market conditions change. When historical data is not available, underlying assets from identical classes and with a higher level of correlation may be used. Liquidity and correlation stress tests are performed on a regular basis.

Most tests are based on historical events and known reactions by markets to those events. These scenarios simulate the impact of events or falls in markets, which are based on historical observation.

Historical scenarios observed are used given the adverse periods in the market and used as a basis for running daily tests identified below as "C1, C2....C5". The historical scenarios are applied to current exposures to estimate potential gains or losses in major trading or investment books. Results are then compiled and reported on a daily basis to Management by the Bank's Market Risk area.

F.9

Liquidity VaR



T.29 (Euro)

Average Liquidity VaR by Sector during 2017

Sector	L1	VaR	Liquidity VaR
Government (Secondary axis)	2,212,715	13,460,979	15,673,694
Industrial	171,904	222,104	394,008
Basic Materials	103,533	154,650	258,182
Energy	35,764	79,394	115,158
Other	58,791	238,706	297,496

Source: BiG

T.30 (Euro 000)

Trading Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Equity	12	(14)	(15)	(11)	18	(71)	(4)	(18)	(53)	(46)	30	3	(62)	9	(13)	(69)
Options	369	94	179	169	216	204	58	84	279	84	271	392	261	85	18	198
FX	(8)	(14)	(9)	(4)	(56)	(21)	(22)	1	(11)	5	(23)	(12)	(39)	7	(11)	(9)
Interest Rate Risk	106	(20)	23	(12)	(25)	(34)	(407)	(278)	(144)	(42)	3	(35)	(20)	(49)	9	(57)
Total	480	46	178	141	153	79	(376)	(210)	71	1	280	347	140	52	3	62

Investment

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Interest Rate Risk	(14,119)	(5,617)	(4,607)	(10,442)	(22,301)	(19,962)	(47,623)	(25,181)	(27,769)	(17,269)	(1,942)	(18,835)	(14,031)	(14,285)	(4,941)	(9,734)
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(14,119)	(5,617)	(4,607)	(10,442)	(22,301)	(19,962)	(47,623)	(25,181)	(27,769)	(17,269)	(1,942)	(18,835)	(14,031)	(14,285)	(4,941)	(9,734)

Equity Worst Scenarios		
C1	Downgrade of US Debt/Bear Market	09-08-2011
C2	Possible withdraw of Greece from the Eurozone	23-07-2012
C3	A weak outlook for economic growth in Europe	06-11-2012
C4	Federal Reserve decision to further trim the economic stimulus Plan	23-01-2014
C5	Reflection of bad economic indicators for the Eurozone	14-10-2014

Bonds Worst Scenarios		
C1	Flash Crash, worst time of the Greece crisis	05-05-2010
C2	Downgrade Portugal by Moody's	05-07-2011
C3	Downgrade Portugal by Standard & Poors	27-01-2012
C4	Greece political crisis	11-05-2012
C5	Germany rejects Eurobonds	22-06-2012

FX Worst Scenarios		
C1	Europe's economy to grow faster than US	02-04-2001
C2	Renewed worries that Europe's debt crisis could spread	17-08-2011
C3	Libor manipulation	02-04-2012
C4	Low expectation on US economy	05-06-2013
C5	The US economy recovery	24-09-2014

Commodity Worst Scenarios		
C1	Impact on FED decision: gold prices have sunk	19-06-2013

Source: BiG

Liquidity Risk

Liquidity Risk arises from the management of the Bank's assets and liabilities.

BiG's policy on liquidity and funding is based on the following principles: (1) pre-funding of assets prior to their acquisition; (2) the assumption that the majority of the balance sheet should be convertible to liquidity within a very short timeframe; (3) a program of building a stable client deposit base, and (4) the assumption that we will maintain a reasonable level of independence from wholesale funding markets. These principles define the Bank's business model, which is non-credit-intensive, commission and service-based, and implies an asset base composed largely of highly liquid securities as opposed to illiquid loans.

In practice, the Bank's liquidity management process is both a daily and strategic issue for Management. It encompasses detailed controls over inflows and outflows, pricing and reputational issues, controls over collateral, the ALCO process and the aspects of our business recovery plan that touch on the fundamental nature of our business model: liquid, flexible, quality assets funded conservatively by mainly stable deposits and capital.

The table T.31 provides a snapshot of funding mismatches at 31 December 2017 by stated maturity.

Interest Rate Risk

Interest Rate Risk results from exposure to changes in the level, slope and curvature of the yield curve, volatility of interest rates, duration and credit spreads.

Interest Rate Risk measures the probability of impacts on the Bank's earnings or capital due to changes in the absolute level of interest rates, in spreads between two rates or in the shape of the yield curve, among other factors. BiG controls its exposure to adverse events through diversification and via hedging techniques.

The Bank measures interest rate risk in bpvs, meaning that for each change of

T.31 (Euro)

Liquidity Indicators	Spot and until 1 week	Between 1 week and 1 month	Between 1 month and 3 months	Between 3 month and 6 months	Between 6 month and 12 months	Net assets with maturity longer than 12 months
Mismatches						
Mismatches by Tenor	31,652,217	-252,530,690	-109,620,697	-161,551,772	-92,444,796	0
Cumulative Mismatches	31,652,217	-220,878,473	-330,499,169	-492,050,942	-584,495,737	644,196,808
Net Assets	797,337,463	786,647,263	787,347,620	787,347,620	787,359,405	0
Volatile Liabilities	112,049,069	321,079,637	347,471,687	417,054,588	420,199,187	0
Net Assets - Volatile Liabilities	685,288,394	465,567,626	439,875,933	370,293,033	367,160,218	0
Liquidity gap (1)	64	43	41	35	34	0

(1) Liquidity gap = [(Net Assets - Volatile Liabilities)/(Total Assets - Net Assets)] x 100
Source: BiG

0.01% in the rates, we are able to calculate the economic impact of such movements on the value of assets, usually fixed rate securities that are interest rate sensitive.

T. 32 shows assets and liabilities by maturity as of 31 December 2017, with modified duration and bvps for each period.

Earnings at risk associated with movements in interest rates are measured by assuming a number of scenarios on a regular basis, a rise or decline of 200 basis points or a similar rise or decline of 50 basis points in a week. Table T.33 measures the either positive or negative impact on revenues during December 2017.

Exposure to Interest rate risk, as a percentage of regulatory capital, measured semiannually during 2017, and assuming the test scenario described before, is described in T.34.

Sensitivity Analyses

The Bank runs daily sensitivity analyses, which are used to quantify the movement of a single risk factor across all positions. Specifically, the Bank employs this type of analysis to measure the effect of variations of interest rates (excluding the effect of hedging techniques) and also to quantify exposures to derivative trading positions. These depend upon a number of market related variables, including the price of the underlying asset, volatility, interest rates and time to maturity. The Bank measures its exposures to these variables by running sensitivity analyses known as “greeks,” which are mathematical terms:

- *Rho* measures, in basis point values, the exposure to our variations in the interest rate curve;
- *Vega* reflects the Bank’s exposure to variations of 1% in the amount of volatility in the options trading book;
- *Delta* quantifies, in Euros, variations of 1% in the value of underlying equities asset in the option portfolios; and
- *Theta*, which also refers to the options trading book, measures, in Euros, gains or losses reported for each remaining day in the life of a given option.

Credit Risk

Overview

Credit Risk is defined as the loss the Bank would incur if a borrower, counterparty or issuer of securities or other instruments we hold failed to perform under its contractual obligations to us.

While not a lending-intensive institution, the Bank is nevertheless exposed to credit risks associated with most of its activities. These include, mainly, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the bank. To a lesser extent, they also include direct exposure to clients who have contracted loans, usually on a margin basis as part of their normal trading activities, and market or settlement risk associated with trading activities by clients. Credit risks arising from dealings with professional counterparties as well as issuers of listed securities represent the majority of our exposures and, given their nature, are assessed in combination with procedures for managing market risks discussed above in Market Risk.

Credit exposures at BiG may include corporate and sovereign bonds acquired in the market, direct loans to customers, full value and replacement value inter-bank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts, and lending-related commitments under guarantees and similar facilities. In its process of analysis and approval, the Bank assesses these exposures at a number of levels: at the level of individual transaction, at the level of maximum exposure to the client and related “family,” and, separately, at the level of respective portfolios to measure concentration of risks in a given class of assets, sector, industry or geographic location. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature.

Process

As an activity inherent to banking, Management views credit risk as a normal part of our business model and fundamental to generating revenue and value for our shareholders. Given the impor-

T.32 (Euro)

Interest rate risk

Maturity	Assets	Liabilities	*Off Balance (+)*	*Off Balance (-)*	Net	bpv's
1/Jan/18	382,237,236	998,480,466	0	0	(616,243,230)	(265)
1/Feb/18	24,964,762	215,866,198	0	0	(190,901,436)	1,881
1/Mar/18	163,996,191	78,352,500	0	0	85,643,690	(1,823)
1/Apr/18	5,197,430	46,273,445	0	0	(41,076,014)	1,134
1/May/18	4,779,305	15,100,856	0	0	(10,321,551)	387
1/Jun/18	7,566,217	21,938,846	0	0	(14,372,629)	651
1/Jul/18	12,595,020	3,922,529	0	0	8,672,491	(451)
1/Aug/18	482,704	2,441,316	0	0	(1,958,612)	117
1/Sep/18	258,025	16,486,276	0	0	(16,228,251)	1,108
1/Oct/18	274,844	15,896,327	0	0	(15,621,483)	1,245
1/Nov/18	527,249	1,592,207	0	0	(1,064,958)	97
1/Dec/18	5,876,937	9,661,840	0	0	(3,784,903)	352
1/Jan/19	24,027	8,896,755	0	0	(8,872,729)	1,071
1/Jul/19	11,306	7,050,769	0	0	(7,039,462)	1,124
1/Jan/20	15,812,373	1,439,225	0	0	14,373,148	(3,420)
1/Jan/21	2,029,479	662,612	0	0	1,366,867	(290)
1/Jan/22	16,528,452	444,065	0	0	16,084,387	(7,219)
1/Jan/23	19,899,534	0	0	0	19,899,534	(9,902)
1/Jan/24	60,208,496	0	0	0	60,208,496	(34,654)
1/Jan/25	11,038,072	0	0	0	11,038,072	(6,445)
1/Jan/26	16,418,699	0	0	0	16,418,699	(11,468)
1/Jan/27	23,066,313	0	0	0	23,066,313	(18,620)
1/Jan/28	445,521,046	0	0	484,161,600	(38,640,554)	(94,022)
1/Jan/33	281,865,733	0	0	0	281,865,733	(369,534)
1/Jan/38	0	0	0	0	0	0
1/Jan/43	268,239,845	0	0	486,008,760	(217,768,915)	407,809
	1,769,419,295	**1,444,506,231**	**0**	**970,170,360**	**(645,257,296)**	**(141,139)**

Source: BiG

T.33 (Euro)

December 2017

Parallel increase of 200 bp	Parallel decrease of 200 bp	Parallel increase of 100 bp	Parallel decrease of 100 bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year
-28,227,726	28,227,726	-14,113,863	14,113,863	-7,278,536	7,278,536

Source: BiG

T.34

Interest Rate Risk - Semi-annual Evolution

Date	Parallel increase of 200 b.p. in the interest rate curve	% Impact on own funds
1/Dec/16	-19,715,631	-6.8%
1/Jun/17	-43,559,040	-14.9%
1/Dec/17	-28,227,726	-8.6%

Source: BiG

During 2017:

T.35

Greeks	*Rho*	*Vega*	*Delta*	*Theta*
Min	-374,613	17,207	-273,907	-28,046
Max	140,386	116,463	392,218	1,433
Average	-102,444	63,128	-23,899	-6,028
Std Dev	97,570	23,667	146,728	3,683

Rho Sensibility to interest rates
Vega Sensibility to volatility
Delta Sensibility to the underlying asset
Theta Sensibility to time

Source: BiG

tance of developing profitable business while taking risk and using capital prudently, the credit risk process aims to preserve the independence of the approval process, while allowing an effective integration with the management of business objectives. This process begins with the Board of Directors, which approves general policies and guidelines for credit risks. The Board then delegates to the Chief Credit Officer, to other credit officers with appropriate authority, and support personnel, the day-to-day implementation of these policies and responsibilities, which include:

- Analysis and control of counterparty risks;
- Quantitative and qualitative guidelines for credit reviews;
- Quantitative and qualitative guidelines and procedures for control of credit quality issues;
- Control of client, family and "house limit" risks;
- Documentation, control and filing systems;
- Management and control of risk monitoring systems and procedures;
- Maintenance of a credit scoring and approval matrix;
- Attention to the integrity and independence of the approval process;
- Adherence to regulatory guidelines;
- Pricing policy.

Nature of Credit Exposures

The nature of credit risks we manage has not varied substantially over the past several years and reflects the Bank's business objectives and underlying model. During 2017, policy-makers have continued their methodical and determined approach to address - through regulation, legislation, monetary policy, asset quality reviews and stress testing – many of the long-term effects of the post-2008 economic crisis, with European regulators being particularly active during this period. In this environment, managing the fundamental credit risk of BiG's portfolio, particularly liquid debt and equity securities, has meant responding to the changing perceptions of credit quality and liquidity, while not losing sight of the fundamental, long term issues associated with the different markets. In this environment, the market's view of the quality of most assets, especially sovereign risk assets, has been driven by the view that Germany and other northern European countries are safe havens and that peripheral, southern European risks demand a somewhat higher credit spread from investors.

In broad terms, the Bank's business strategy reduces credit risk to two broad categories:

- *Secured facilities*, which arise from our relationships with mainly retail clients. These are secured by cash, eligible marketable securities or, to a lesser extent, residential real estate. This category also includes issues by banks of residential mortgage-backed securities and covered bonds. At 31/12/2017, substantially all of the Bank's portfolio of loans were secured facilities;
- *Unsecured facilities*, which arise out of the management of our main credit risks: namely, portfolio investments in corporate or government issuers of debt, and market trading activities with professional counterparties. Exposures classified by the Bank as unsecured may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors. Given the size of the Bank's investment portfolio of corporate and sovereign senior bonds, this type of facility represents the largest portion of credit exposure for the Bank.

Credit Procedures

In accordance with the Bank's Credit Policy, the basis for approving credit exposures, whether secured or unsecured, includes a determination of a risk score for the credit exposure, calculated based on primarily objective criteria. The results of the process of financial analysis and risk scoring serve as the basis for deciding the returns associated with the risk assumed, including considerations on minimum pricing, acceptable structure, tenor and appropriate documentation.

In the process, the Bank follows a pre-established approval matrix, which combines the results of credit scoring, tenors, maximum levels of overall exposure including any transaction under consideration, and the pre-approved levels of lending authorities granted to members of the Credit Risk Committee. Other criteria for determining levels of signature include the existence and type of collateral underlying the full-value exposure.

Unsecured exposures

Extensions of credit or related exposures that are not fully collateralized, or where the collateral offered may not be liquid, are subject to an objective and periodic review of historical financials and conservative projections as a basis for approving any type of facility. This process may be accompanied by information provided by an international rating service, particularly in the case of non-domestic issuers and financial institutions. Other criteria used as part of the approval process include qualitative considerations, such as ownership, the quality and reputation of management, the borrower's positioning and performance within its peer group and other relevant information.

Principal, full-value unsecured exposures are those to financial institutions via the interbank money market, i.e. where the Bank acts as a lender to other banks, to the financial, corporate and sovereign sector represented usually by quoted debt securities of varying maturities.

Concentration of Risks

The Bank views its exposure to concentrations of risk by category: credit risk, market risk, liquidity risk and operational risk.

In the case of managing credit concentrations, Management and the Bank's risk area focus on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tools to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated regulatory capital. Investment Strategy and rating exposures at 31 December 2017 are presented in T. 36 and T. 37.

Stress testing the credit portfolio

The Bank measures all relevant exposures in a number of manners, but none is deemed by Management as important as the series of stress tests we run. As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's available for sale portfolio, consisting of mainly fixed income securities of varying tenors, is subject to a number of these stress tests in order to provide Management with an assessment of potential losses, assuming a number of different, hypothetical scenarios. In addition to historical scenarios, we focus daily on extreme or highly unlikely scenarios, which are applied to positions to test the resiliency of the Bank's balance sheet and capital adequacy. When applied to this portfolio, these scenarios seek to measure potential losses by class, by largest individual potential loss, and by industrial sector.

The simulations on the next page are based on the impact on the movement of credit spreads and yields in evaluating debt securities, along with their maturity and duration. Another variable is the size of the hedge covering the fixed income portfolio. The objective of the tests is to determine the extent to which earnings may be affected and shareholder funds may be depleted in theoretical circumstances. The results of these tests are used to maintain discipline and control position-taking or excessive concentrations.

Examples of the results of such tests on 31 December 2017 follow in F.10 and T.38 and show that, under the most extreme circumstances, theoretical losses would be significant but would not affect the overall solvency of the Bank, which would remain comfortably above regulatory minimums.

T.36 (Euro)

December 2017 Exposure by Investment Strategy		Amount
Bonds	Government guaranteed	1,192,629,789
	ABS	270,131,652
	Senior debt	117,834,110
Bonds Total		**1,580,595,551**
Cash & Near Cash		157,734,483
Equity (1)		428,647
Equity (2)		13,895,453
Forex (3)		2,422,016
Total		**1,755,076,150**

(1) Financial assets available for sale
(2) Trading portfolio
(3) The fx positions include Cash, fx Forwards and fx. Futures

Source: BiG

Credit Exposure to Derivatives

Derivatives contracts are instruments, such as futures, forwards, swaps and options, which derive their value from underlying assets, indices, or other financial concepts. BiG utilizes derivative financial instruments and foreign exchange instruments to manage the Bank's exposures to the markets, to meet the financial needs of its customers and to generate revenues through its trading activities. In assessing risks, the Bank follows the same credit procedures for derivatives and foreign exchange-related exposures, as it does for traditional lending products described

Rating exposure:

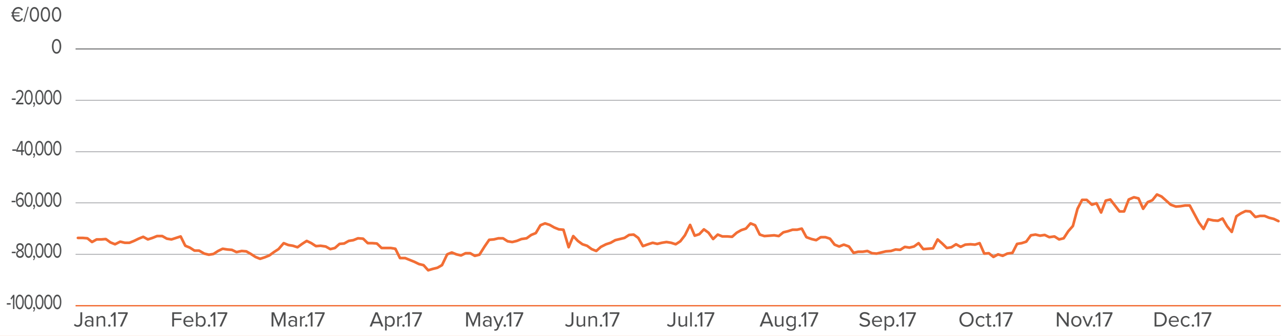
T.37 (Euro)

	Aaa	Aa	A	Baa	Ba	NA	Total
Government guaranteed	16,479,335	0	5,701,575	1,050,072,502	68,868,695	51,507,681	1,192,629,789
Senior debt	28,206	0	0	49,159,309	10,681,369	57,965,226	117,834,110
ABS	0	0	192,735,295	77,396,356	0	0	270,131,652
Total	**16,507,541**	**0**	**198,436,871**	**1,176,628,167**	**79,550,064**	**109,472,907**	**1,580,595,551**

Source: BiG

F.10

Extreme Stress Test Debt



T.38

(Euro 000)

Maximum and minimum losses

Maximum (*)	Minimum (*)	Std Deviation
-86,204	-56,674	6,026

(*) Maximum and minimum losses

Source: BiG

above. Credit limits for these products are calculated and controlled on the basis of potential exposure, which takes into consideration current market values and estimates of future movements in market rates based on statistical criteria.

As part of the process, BiG calculates the cost of replacing a derivative or foreign exchange contract as the primary measure of exposure to credit risk. This refers to the cost of replacing a contract at extreme market conditions should a counterparty default prior to the date of settlement. The Bank uses mark to market procedures to assess the cost of replacing a derivative or foreign exchange contract in the open market.

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2017 may be found in Note 23.

Operational Risk

Overview

Operational risk may arise as a result of inadequate procedures or systems, human risk or external events.

The Bank, given the nature of its business, is exposed to potential losses and/or risk to our reputation, as a result of human or systems-related operational errors, unexpected interruptions in business processing or insufficient execution on the part of third party suppliers of significant components of our complete business model.

In the process of managing operating risks pro-actively to keep exposures to minimal levels, the Bank reviews its system of internal governance on a regular basis to ensure the smooth running of the business under both normal and unusual circumstances.

These systems and procedures are designed to reduce the risks of fraud from internal or external sources, or of errors or breakdowns, which can be the result of unexpected events associated with the technology and systems infrastructure, procedures and telecommunications (see Note 39).

Limiting operating risk by adhering to internal procedures is essential to providing a competent service to our clients and to reducing the risk of loss or regulatory sanctions.

Responsibility for managing operating risks lies with the heads of individual business units. To monitor risks and the execution and enforcement of procedures throughout the Bank is a separate governance structure, consisting of the following internal oversight groups, which meet separately with their functional supervisors on the Board of Directors, and also jointly as part of the Bank's All Risk Committee:

- Operational Risk, which reviews the appropriateness of internal procedures, adequacy of human and systems support to conduct normal business functions and day to day risks to which the Bank is ex-posed, based on self-assessment processes, controls over operational errors by area, and planned internal and external audits;
- Technology Risk, which oversees the adequacy and security of the complex technical infrastructure supporting every aspect of the Bank's internal processing, reporting and links with third party suppliers of information and execution services.

The internal committees also regularly conduct self-assessment exercises, usually with their direct reports, to identify and take action on risks associated with operations, technology, and regulatory compliance. The control processes include, as examples, frequent review of relevant operating procedures, adherence to regulatory guidelines, internal and external audits of operating departments, systems, commercial and trading areas, back-up procedures and maintenance of outsourcing arrangements and an appropriate business recovery plan to reduce the effects of any unforeseen interruption of the Bank's business activities.

Because of the nature of our business, operating errors do occur on occasion. It is the aim of the above governance structure and internal departments to ensure adherence to prudential and regulatory guidelines, such that the costs of such errors are kept to levels commensurate with our capital and business strategy.

To assist in this control, the Bank has internal procedures for reporting data associated with operational errors to Senior Management on a regular basis. Such analyses and reporting allow for problems to be identified at their source and amended accordingly. The data compiled is extensive and allows a detailed analysis of actual operational losses incurred by type of event, by business line, by impact, and by specific or average amounts.

One of the keys to controlling operational risks and maintaining avoidable operational losses at acceptable levels is the Bank's culture of risk identification and mitigation.

We encourage the rapid escalation of actual or potential operational issues to senior managers and their pro-active resolution. In order to improve the management of this type of risk, management in 2017:

- Increased the competencies of the risk department, and strengthened the management team;

- Recast procedures and specific methodologies, such as:
  - Assessment of processes, risks and controls;
  - Registration and Communication of Operational Risk Events;
  - RCSA – Risk Control Self-Assessment;
  - Formalization of Action Plans for Operational Risk Mitigation;

- Reformulated the framework and methodology of BCM – Business Continuity Management with IT.

Business Continuity and Information Security

We work to ensure that our business is able to operate under the most extenuating circumstances and that our procedures, risk management and internal controls, information and systems are secure and reliable. These issues require regular attention, review and upgrades as the Bank grows and as market conditions and the regulatory environment changes. As reviewed above, our daily controls on risks address our ability to ensure the sustainability of the Bank on a financial basis.

With respect to operational risk, the Bank has decided to move its main data-center to IBM under an IaaS (Infrastructure as a Service) and Housing (Infrastructure managed by BiG) mixed setup. BiG will continue to directly manage the core and most critical parts of its infrastructure, but will use state-of-the-art technology and services from IBM, to guarantee higher uptime and security to its systems. Also, the agreement with IBM includes a Business Continuity plan that will leverage IBM´s best practices and data-centers in Europe to recover BiG's infrastructure in case of disaster.

The Bank expects to have a fully functional and operational setup in IBM's data center by the 3rd quarter of 2018, and will have its integrated Business Continuity test using IBM's facilities also during 2018.

Compliance

The Bank's internal control system is based on a strong culture of compliance with the law and the different norms applicable to the banking activity, as well as compliance with the policies and procedures related with contractual obligations, personal conduct and relationship with Clients. As a whole, these systems and procedures aim to mitigate the risk that the Bank may incur in losses associated with potential sanctions from a legal standpoint, limitations to its activity and the expansion and loss of reputation as a result of contractual breach or a negative perception of the Bank's public image. The Bank always strives to act in strict conformity with the norms and legislation in place at every moment.

Compliance is both a key function within the bank and an integral part of the internal culture. In this regard, Management views compliance as more than adherence to the law, regulation or prevailing "market practices". In this context, we select staff as much for their values as for their capacities and experience and seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

The Compliance function is independent and reports exclusively to the Board of Directors and its supporting Committees, which reinforces its independence. This function ensures to both the Board of Directors and the Fiscal Board the assurance and security of the adequacy and effectiveness of the mechanisms created to comply with BiG's duties and legal obligations. The Compliance function has the necessary autonomy to act independently from all other areas of the Bank, in order to ensure adequate monitoring and maintenance of the Bank's internal control systems.

BiG also has a defined compliance policy, which is communicated to its entire staff and updated at least on an annual basis. This policy is the core of BiG's risk based approach culture, driven by identification, evaluation, monitoring and mitigation of the compliance risks.

The Bank's Compliance function is responsible for (i) ensuring respect for applicable legal and regulatory requirements, including approved terms and standards of internal codes of conduct, (ii) promoting an environment of control and transparency in the organizational structure that is commensurate with the complexity of services offered and the size of the institution, (iii) monitoring the adequacy and efficiency of controls associated with banking risks, (iv) protecting the Bank's reputation and (v) ensuring and maintaining relationships and interactions with supervisory bodies.

With respect to anti-money laundering and risks associated with financing of terrorism, the Bank's compliance function is responsible for controlling and detecting suspicious transactions and for monitoring the execution of duties in accordance with current legislation regarding the opening of bank accounts and "know your client" rules. Moreover, it is responsible for market abuse prevention and combat mechanisms, namely through transaction and event monitoring, assuring the existence of robust controls in terms of market safety. In both subjects, the Compliance function is responsible for centralizing the reporting of, and interacting with, law enforcement and supervisory entities, with respect to investigation and analysis of suspicious processes and transactions.

Compliance is also responsible for analyzing and reviewing new products and services in the light of current regulation, promoting pro-active management and prior validation of the risks of such services, and identifying and preventing conflicts of interest.

Internal Audit

Internal Audit plays a key role and is an integral part of the institution's continuous internal control monitoring system, responsible for the independent verification of the adequacy and compliance of internal policies and procedures.

Internal Audit is responsible for evaluating the efficiency and adequacy of (i) control processes and risk management policies, (ii) internal control mechanisms, (iii) governance issues, and (iv) conformity and compliance with internal procedures and regulations. The Audit function is objective and impartial and, through its periodic analyses, aims to ensure conformity with internal procedures and general standards of integrity and quality defined by the Bank and based on the priorities set by the Board.

This function is granted the necessary objectivity, independence and impartiality in order to develop an unbiased activity with no interference, using audit methodology as per international principles and best practices.

The Audit function is independent and has autonomy as it reports directly to the Board of Directors and Fiscal Board the conclusions of the regular inspections based on the priorities set by the Board. These are set bearing in mind the inherent risks to all Bank's areas of activity and business.

Application of Results for Banco de Investimento Global, SA

For the year 2017, Banco de Investimento Global, SA recorded consolidated net income of €52,346,618.43 (fifty-two million, three hundred forty-six thousand, six hundred and eighteen euros and forty three cents), and individual net income of 50,823,109.50 (fifty million, eight hundred and twenty-three thousand, one hundred and nine euros and fifty cents). In its individual accounts, Banco de Investimento Global, SA is required to apply, in accordance with nº 1, article 97 of the General Regime for Credit Institutions and Financial Companies, 10% of net profits to the formation of a legal reserve.

In November 2017, €0.07 per share were distributed and paid in advance with a total of €11,760,000 (eleven million, seven hundred and sixty thousand euros). The Board of Directors proposes that, with respect to 2017, a dividend of €0.08 (eight cents of a euro) to be paid to each of the 171,947,388 ordinary shares and to each of the 12,000,000 preferred redeemable shares, representative of the common stock at 31 December 2017.

The proposed dividend per share implies a dividend pay-out of 48.55% of the individual profit of the year. As a result, in accordance with nº 1, article 30 of the By-Laws, the Board of Directors proposes the following distribution application of the individual results of the year:

Application of the Individual Profit	€50,823,109.50
Legal Reserve	€5,082,310.95
Dividends	€24,675,401.34
Free Reserve	€21,065,397.21

Lisbon, 21 March, 2018

Board of Directors,

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman and Chief Executive Officer

Nicholas Leo Racich
Vice Chairman and Chief Operating Officer

Mário João Abreu Galhardo Bolota
Executive Director

Paulo José Caramelo de Figueiredo
Executive Director

Ricardo Dias Carneiro e Gomes de Pinho
Executive Director

Statutory Audit Report

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banco de Investimento Global, S.A. ("The Group"), which comprise the consolidated balance sheet as at 31 December 2017 (which shows total assets of Euro 1 851 222 072 and total shareholders' equity of Euro 339 533 229 including a net profit of Euro 52 346 618), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco de Investimento Global, S.A. as at 31 December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Measurement of financial instruments at fair value *Measurement and disclosures regarding the fair value of financial instruments presented in notes 3, 18, 19 and 38 of the Group's consolidated financial statements.* The measurement of financial instruments at fair value is considered a key audit matter given its relevance in the context of the consolidated financial statements and the associated level of subjectivity.	The audit procedures developed included the identification and assessment of controls implemented by the Group, which allow for the identification, measurement and monitoring of market risk, as well as the evaluation of the methodologies, data and assumptions adopted to determine fair value. In this scope, the procedures and controls tested included the validation of the calculations in the models used to determine fair value defined by the Group, including the inputs and assumptions of the Board of Directors, as well as

Key Audit Matter	*Summary of the Audit Approach*
These instruments encompass securities recognized as financial assets held for trading, financial assets available for sale and derivative financial instruments held for trading. On 31 December 2017, the balance sheet amount of financial instruments measured at fair value totalled Euro 1,331,048,616 of assets and Euro 543,390 of liabilities, respectively. For actively traded financial instruments, and for which quoted market prices and other market inputs are available, fair value is determined based on its closing quotation or end-of-day market price at the reporting date. This valuation comprises an objective exercise (level 1 of the fair value hierarchy). When quoted market prices are not observable (level 2 and 3 of the fair value hierarchy), namely for the securities and derivative financial instruments not quoted on the active market, fair value is determined using internal valuation models. These models are based on judgements, assumptions and complex measurement techniques, including (i) prices used in similar transactions recent in the market; (ii) multiples of comparable societies, namely in terms of activity sector, size, leverage and returns; (iii) models of discounted cash flows; (iv) *Black-Scholes* model; (v) Monte Carlo model; and/or (vi) other methodologies based on the fulfilling of the main milestones defined at initial investment, as foreseen in the International Private Equity and Venture Capital Valuation Guidelines. In this context, changes in the assumptions used in the valuation techniques used may cause an impact in the fair value determination of the instruments recognised in the Group's consolidated financial statements.	the governance practices considered in the fair value determination. Concerning the valuation models developed by the Group, we evaluated its adequacy and the suitability of the used data by comparing, whenever available, observable data with market information obtained from external and independent sources. For a sample of instruments for which measurement was determined based mostly on unobservable data we assessed the valuation models and assumptions used and independently re-performed measurement. Our audit procedures also included the review of disclosures regarding financial instruments and in particular regarding the application of a fair value hierarchy, included on the Notes to the financial statements, considering the applicable accounting policies.
Information Systems	
Disclosures related with information systems in the Management's Report Given its business model and the significant number of transactions processed daily, the Group is strongly dependent on its information system structure to guarantee the reliability of processing of its operations and, as such, of the financial reporting, which substantiates why this matter is considered a key audit matter for the purposes of our audit. In order to (i) promote the efficiency and effectiveness of its information systems'	The audit procedures developed were carried out by specialists in information systems and included the assessment: of the internal governance model concerning the information system risk monitoring, of the controls procedures related to developments and application changes, of access privileges to systems and data, and of the integrity of information generated by the Group's operational systems. The realization of these procedures allowed us to identify occurrences related to the accesses to the Group's operational systems which present a

Key Audit Matter	*Summary of the Audit Approach*
structure and (ii) remedy improvement opportunities identified in its internal control system related to systems and applications, during 2017, the Group continued to realise significant investments in information systems and processes. Additionally, the Group has implemented compensating control procedures, primarily manual, in order to guarantee the adequate functioning of the main systems and the integrity and accuracy of the information supplied to feed the accounting system supporting the financial reporting. The monitoring of access privileges is considered a key control to mitigate possible failures in the systems supporting the financial reporting in so far as it ensures that changes in applications and data are authorized and appropriately carried out.	risk for the financial reporting system, and consequently, for the financial statements. In order to mitigate this risk, as well as the operational risk arising from the manual procedures used to generate specific financial information, we undertook additional substantive audit procedures, among which are tests of manual compensating controls, reconciliations of information generated by the Group's main systems and the evaluation of, where possible, the reasonableness of possible changes carried out by potential general or improper accesses.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banco de Investimento Global, S.A. in the Shareholders' General Meeting of 8 May 2014 for the period from 2014 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of March 29, 2018.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

29 March 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Aurélio Adriano Rangel Amado, R.O.C.

(free translation from the original Portuguese)

Report and Opinion of the Supervisory Board (consolidated accounts)

To the Shareholders,

In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the consolidated management report and the corresponding consolidated financial statements as presented by the Board of Directors of Banco de Investimento Global, S.A. ("Bank"), with respect to the year ended December 31 2017.
During the year we have accompanied the evolution of the Bank's activity, as and when deemed necessary. We have verified the timelines and adequacy of the accounting records and respective documentation, as well as the effectiveness of the internal control system, only to the extent that the controls are of relevance for the control of the Bank's activity and the presentation of the financial statements, the internal control system and internal audit. We have also ensured that the law and the Bank's articles of association have been complied with.

We have also accompanied the work performed by the statutory auditors PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda and have reviewed their audit report and concur with their conclusions.

Within the scope of our mandate, we have verified that:

i. The consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the correspondent notes to the accounts present adequately the consolidated financial position of the Bank, the consolidated results and comprehensive income and the consolidated cash flows;
ii. The accounting policies and valuation methods applied are appropriate;
iii. The consolidated management report is sufficiently clear as to the evolution of the business and the position of the Bank and the subsidiaries included in the consolidation and highlights the more significant aspects;
iv. The proposal for application of results is adequate and according to legal and statutory framework.

On this basis, and taking into account the information obtained from the Board of Directors and the Bank's employees, together with the conclusions in the Statutory Audit Report, we are of the opinion that:

The consolidated management report is approved;

The consolidated financial statements are approved;

The Application of Results is approved.

Finally we would like to express our gratitude to the Board of Directors and all those who we contacted, for their valuable cooperation.

29/3/2018

The President of the Supervisory Board,
Mr. José Galamba de Oliveira

Member
Mr. Pedro Rogério Barata do Ouro Lameira

Member,
Mr. Jorge Alegria Gaspar de Aguiar

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2017 and 2016
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2017 and 2016

	Notes	2017	2016
Interest and similar income	4	46,401,771	46,143,213
Interest and similar charges	4	(30,448,308)	(20,929,604)
Net interest income		**15,953,463**	**25,213,609**
Income from capital instruments	5	-	929,342
Income from services and commissions	6	12,374,993	9,680,054
Charges with services and commissions	6	(1,783,045)	(2,019,032)
Profit/loss from assets and liabilities at fair value through the income statement	7	14,125,201	(9,264,953)
Profit/loss from financial assets available for sale	8	42,710,523	51,541,161
Profit/loss from exchange revaluation	9	(3,580,178)	(2,862,740)
Profit/loss from sale of other assets	10	25,164,633	3,966,161
Other operating results	11	(1,228,249)	(1,491,357)
Operating income		**103,737,341**	**75,692,245**
Staff costs	12	(23,089,898)	(18,580,524)
General administrative costs	14	(9,627,285)	(7,658,552)
Depreciation and amortization	24 e 25	(2,109,865)	(1,575,628)
Provisions net of cancellations	30	2,001,590	10,883,496
Impairment of credit net of reversals and recoveries	21	(5,263)	(3,288)
Impairment of other financial assets net of reversals and recoveries	19	260,012	(283,359)
Impairment of other assets net of reversals and recoveries	27	10,947	(31,424)
Operating costs		**(32,559,762)**	**(17,249,279)**
Operating result		**71,177,579**	**58,442,966**
Pre-tax profit		**71,177,579**	**58,442,966**
Taxation			
Current	33	(18,520,409)	(14,804,968)
Deferred	33	(310,552)	74,339
Net profit of the year		**52,346,618**	**43,712,337**
Earnings per basic share	15	0.34	0.28
Earnings per diluted share	15	0.34	0.28

The explanatory Notes attached form part of these consolidated financial statements,

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2017 and 2016

	Note	2017	2016
Net Profit / Loss of the year		52,346,618	43,712,337
Items which could be reclassified for results			
Financial Assets available for sale			
Gains and losses of the year	35	30,347,370	(51,707,985)
Deferred tax	35	(7,186,345)	15,235,152
Current tax	35	(275,407)	(214,766)
Exchange differences	35	382,181	(2,178,261)
		23,267,799	(38,865,860)
Total comprehensive income of the year		**75,614,417**	**4,846,477**

The explanatory Notes attached form part of these consolidated financial statements,

CONSOLIDATED BALANCE SHEET

On 31 December 2017 and 2016

	Nota	2017	2016
Assets			
Cash and deposits in central banks	16	84,408,539	52,323,209
Deposits in other banks	17	69,913,214	71,385,805
Financial assets held for trading	18	30,330,358	13,481,872
Financial assets available for sale	19	1,300,718,258	1,083,029,996
Applications in banks	20	3,412,730	2,429,423
Loans to clients	21	309,093,538	437,484,868
Non-current assets held for sale	22	-	26,480
Tangible assets	24	15,376,668	16,091,352
Intangible assets	25	1,994,876	2,567,448
Current tax assets	26	-	2,394,182
Deferred tax assets	33	28,717,793	36,205,256
Other assets	27	7,256,098	41,610,458
Total Assets		**1,851,222,072**	**1,759,030,349**
Liabilities			
Financial liabilities held for trading	18	543,390	1,148,033
Funding from other banks	28	410,260,634	396,823,178
Funding from clients	29	1,035,793,975	1,049,049,853
Hedge derivatives	23	-	7,732,612
Provisions	30	4,740,788	6,788,288
Current tax liabilities	26	7,971,052	-
Instruments representing capital	31	16,765,717	12,000,000
Other liabilities	34	35,613,287	19,877,247
Total Liabilities		**1,511,688,843**	**1,493,419,211**
Capital			
Capital	35	171,947,388	156,000,000
Issue premiums	35	1,362,281	1,362,281
Treasury stock	35	(2,326)	(2,326)
Fair value reserve	35	(63,827,489)	(87,095,288)
Other reserves and retained earnings	35	188,626,575	160,993,978
Net profit of the year		52,346,618	43,712,337
Interim dividends	35	(10,919,818)	(9,359,844)
Total Capital		**339,533,229**	**265,611,138**
Total Liabilities and Capital		**1,851,222,072**	**1,759,030,349**

The explanatory Notes attached form part of these consolidated financial statements,

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2017 and 2016

	Capital	Issue premiums	Treasury Stock	Fair value reserve	Legal reserve	Other reserves	Net Profit / Loss of the year	Interim dividends	Total Equity
Balances on 31 December 2015	**156,000,000**	**1,362,281**	**(2,326)**	**(48,229,428)**	**24,683,396**	**80,521,091**	**74,509,179**	**(12,479,792)**	**276,364,401**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(51,707,985)	-	-	-	-	(51,707,985)
Deferred tax	-	-	-	15,235,152	-	-	-	-	15,235,152
Current tax	-	-	-	(214,766)	-	-	-	-	(214,766)
Exchange differences				(2,178,261)	-	-	-	-	(2,178,261)
Net profit of the year	-	-	-	-	-	-	43,712,337	-	43,712,337
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(38,865,860)**	**-**	**-**	**43,712,337**	**-**	**4,846,477**
Distribution of profit of the year 2015									
Transfer to reserves	-	-	-	-	7,485,490	48,304,001	(55,789,491)	-	-
Distribution of dividends	-	-	-	-	-	-	(18,719,688)	12,479,792	(6,239,896)
Interim dividends	-	-	-	-	-	-	-	(9,359,844)	(9,359,844)
Balances on 31 December 2016	**156,000,000**	**1,362,281**	**(2,326)**	**(87,095,288)**	**32,168,886**	**128,825,092**	**43,712,337**	**(9,359,844)**	**265,611,138**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	30,347,370	-	-	-	-	30,347,370
Deferred tax	-	-	-	(7,186,345)	-	-	-	-	(7,186,345)
Current tax	-	-	-	(275,407)	-	-	-	-	(275,407)
Exchange differences	-	-	-	382,181	-	-	-	-	382,181
Net profit of the year	-	-	-	-	-	-	52,346,618	-	52,346,618
Total comprehensive income recognised in the year	**-**	**-**	**-**	**23,267,799**	**-**	**-**	**52,346,618**	**-**	**75,614,417**
Distribution of profit of the year 2016									
Transfer to reserves	-	-	-	-	4,342,915	23,289,682	(27,632,597)	-	-
Distribution of dividends	-	-	-	-	-	-	(16,079,740)	9,359,844	(6,719,896)
Interim dividends	-	-	-	-	-	-	-	(10,919,818)	(10,919,818)
Increase in capital	15,947,388								15,947,388
Balances on 31 December 2017	**171,947,388**	**1,362,281**	**(2,326)**	**(63,827,489)**	**36,511,801**	**152,114,774**	**52,346,618**	**(10,919,818)**	**339,533,229**

The explanatory Notes attached form part of these consolidated financial statements,

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2017 and 2016

	Notes	2017	2016
Cash flow from operating activities			
Interest and income received		49,398,465	42,669,734
Interest and costs paid		(25,874,065)	(22,413,773)
Services and commissions		10,317,822	7,199,628
Contributions to the pension fund		(1,147,294)	(800,018)
Cash payments to employees and suppliers		(33,301,707)	(26,515,748)
Other costs and income paid/received		(1,241,660)	(1,491,356)
		(1,848,439)	**(1,351,533)**
Variation in operating assets and liabilities:			
Deposits in central banks		(31,102,308)	(7,367,610)
Financial assets and liabilities held for trading		25,762,769	10,605,605
Applications in banks		(983,452)	1,618,674
Funding from central banks		-	(165,000,000)
Funding from banks		13,441,639	225,675,897
Loans to clients		128,042,340	(60,744,350)
Funding from clients		(13,068,587)	164,969,272
Derivatives for risk management		(12,373,005)	(6,349,467)
Other operating assets and liabilities		52,070,179	(21,597,861)
Cash flow net of the operating activities, before taxation on profits		**159,941,136**	**140,458,627**
Taxation on profits paid / received		(8,020,927)	(16,286,546)
		151,920,209	**124,172,081**
Cash flow from investment activities			
Dividends received		-	929,342
Financial assets available for sale		(146,918,478)	(79,103,970)
Purchase of financial investments		(790,427)	(4,154,527)
		(147,708,905)	**(82,329,155)**
Cash flow from financial activities			
Dividends paid from ordinary stocks		(17,639,714)	(15,599,741)
Treasury stock		-	12,000,000
Capital raises		15,947,388	-
Cash flow net of financing activities		**(1,692,326)**	**(3,599,741)**
Cash and cash equivalents at the beginning of the period		72,755,876	34,179,773
Net variation in cash and cash equivalents		**2,518,978**	**38,243,185**
Effect of the change in the exchange rate on cash and cash equivalents		(3,007,110)	332,918
Cash and cash equivalents at the end of the period		**72,267,744**	**72,755,876**
Cash and cash equivalents includes:			
Cash	16	2,354,530	1,370,071
Deposits in other banks	17	69,913,214	71,385,805
Total		**72,267,744**	**72,755,876**

The explanatory Notes attached form part of these consolidated financial statements,

CONSOLIDATED CASH FLOW STATEMENT FOR FINANCING ACTIVITIES

For the years ended 31 December 2017 and 2016

			Items not affecting cash		
	Balance 01-01-2017	Cash Flows	Ajustments in the currency positions	Others	Balance 31-12-2017
Cash flow from financing activities					
Dividends paid from ordinary shares	-	(17,639,714)	-	-	-
Instruments representing capital	12,000,000	-	-	-	12,000,000
Capital raises	156,000,000	15,947,388	-	-	171,947,388

The explanatory Notes attached form part of these consolidated financial statements,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2017 and 2016
(Amounts in Euros)

INTRODUCTION

Banco de Investimento Global, S.A. (Bank or BIG) was created by public deed on 10 December 1998 and began its banking activity on 1 March 1999. The Bank is licensed to perform all transactions and provide all services allowed in the banking sector, with no legal restriction.

On 31 December 2013, the Bank held a shareholding of 34.76% in the share capital of ONETIER PARTNERS, S.G.P.S., S.A. (ONETIER). In November of 2014 the Banco repurchased a 65.24% stake in ONETIER from the other shareholders, thereby owning 100% of the share capital of this company. This acquisition was made at a price per share of 0.94 Euros, which corresponded to a total price of 9,811,590 Euros. This company was founded on 29 November 1999, its main object being to manage shareholdings in other entities with the indirect purpose of exercising economic activities. This entity is consolidated the full consolidation method.

BIG Serviços Financeiros, S.A. fully owned by the Bank, was founded on the 11th of September 2008, and has the main object of providing financial consultancy services, and also owns or manages buildings. This entity is consolidated using the full consolidation method.

On 31 December 2016, the Bank held a shareholding of 99.99% in the capital of Banco BiG Moçambique, S.A. (BiG Moçambique). BiG Moçambique was founded on 8 October 2014, based in Maputo, its main social purpose being the realization of any operations and provision of any services that banks are allowed in Mozambique, with no legal restriction.

BiG Mozambique, initially established with a share capital of 70,000,000 meticais, performed its first capital increase in 2015 to 226,125,000 meticais and in 2016 a second capital increase to 370,000,000 meticais, both fully subscribed by the Bank. During 2017 BiG's holding in BiG Moçambique was increased by 114,791,661.10 meticais. This entity is consolidated using the full consolidation method.

NOTE 1
BASES OF PRESENTATION

Pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, in its transposition into Portuguese legislation, the consolidated financial statements of Banco de Investimento Global, S.A. (BiG or Group) are prepared in accordance with the International Financial Reporting Standards (*IFRS*), as adopted in the European Union.

The *IFRS* include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective preceding bodies.

The consolidated financial statements now presented, relate to the year ended on 31 December 2017 and were prepared in accordance with the *IFRS*, as adopted in the European Union by 31 December 2017. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2017 are consistent with those used with reference to 31 December 2016.

The consolidated financial statements are stated in Euros. These were prepared in accordance with the historical cost principle, with the exception of assets and liabilities recorded at fair value, namely derivative financial instruments, financial assets and liabilities held for trading, financial assets available for sale and hedged assets and liabilities, in their component that is being hedged.

The preparation of financial statements in accordance with IFRS requires the Group to make judgments and estimates and uses assumptions which affect the application of accounting policies and amounts of revenues, costs, assets and liabilities. Alterations in these assumptions or differences between these and the actual situation can have an impact on the actual estimates and judgments. The areas which involve a greater degree of judgment or complexity, or where significant assumptions and estimates are used in the preparation of the Consolidated Financial Statements are analysed in Note 3.

These consolidated financial statements were approved in the meeting of the Board of Directors on 21 March 2018.

NOTE 2
MAIN ACCOUNTING POLICIES

2.1. Consolidation principles

The consolidated financial statements presented here reflect the assets, liabilities, results, and other comprehensive income of BiG and of its subsidiary companies (Group or BiG Group) and the results and other comprehensive income attributable to the Group referring to its shareholding in associated companies. The accounting policies were applied consistently to all of the companies in the Group, in relation to the periods covered by these consolidated financial statements.

Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group exercises control. The Group controls an entity when it is exposed to, or has rights over, the variable returns generated, as a result of its involvement with the entity, and has the capacity to affect these variable returns through the power it exercises over the entity’s relevant activities.

Associated companies

Associated companies are classified as all companies over which the Group has the power to exercise more than 20% of the voting rights, although never more than 50%, from the time that the Group acquires a significant influence up to the time that this ends. The dividends attributed by the Associated Companies reduce to the value of the investment made by the Group. Even when the voting rights are less than 20%, the Group may exercise significant influence through participation in the management of the associate company or in the composition of the Boards of Directors with executive powers. Investments in associated companies are recorded in the consolidated financial statements of the Bank by the equity pick-up method from the time that the Group acquires significant influence until the time this ends.

When the value of the accumulated losses incurred by an associate company which are attributable to the Group is equal to or more than the book value of the participation and of any other medium and long term interests in this associate company, the equity pick-up method is interrupted, except if the Group has the legal or constructive obligation to recognise these losses or has made payments in the name of the associate company.

Gains or losses in the sale of parts of the capital in associated companies are stated as a counter-entry in the income statement even if no loss of significant influence occurs with this sale.

Balances and transactions eliminated in consolidation

Balances and transactions between Group companies, including any unrealised gains or losses resulting from intra-group operations, are eliminated in the consolidation process, except in the cases in which unrealised losses indicate that there is impairment which should be recognised in the consolidated accounts.

Unrealised gains resulting from transactions with associated entities are eliminated in the proportion of the Group's participation in them. Unrealised losses are also eliminated, but only in situations where they do not indicate that there is impairment.

2.2. Transactions in foreign currency

Transactions in foreign currency are converted at the rate of exchange in force on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into Euros at the rate of exchange in force on the date of the balance sheet. The exchange differences resulting from this conversion are recognised in profit and loss. Non-monetary assets and liabilities recorded at historical cost expressed in foreign currency are converted at the rate of exchange on the date of the transaction. Non-monetary assets and liabilities expressed in foreign currency recorded at fair value are converted at the rate of exchange in force on the date on which the fair value was determined. The resulting exchange differences are recognised in profit and loss, except in respect of differences classified as financial assets available for sale, which are recorded as a counter-entry of equity.

2.3. Derivative financial instruments and hedge accounting

Classification

The Group classifies the following as derivatives for risk management (i) hedging derivatives and (ii) derivatives taken out with the aim of hedging certain assets and liabilities designated at fair value through the income statement but which were not classified as hedges.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Financial derivative instruments are recognised on their trade date at their fair value. Subsequently, the fair value of these instruments is revaluated on a regular basis, with the gains or losses resulting from this revaluation being entered directly in the income statement of the year, except in respect of derivatives designated as elements of cover in a cash flow hedge.

The fair value of financial derivative instruments corresponds to their market value, when available, or is determined based on valuation techniques including discounted cash flow models and option evaluation models, as appropriate.

Hedge accounting

Classification criteria

Financial derivative instruments used for hedging may be classified in the accounts as hedges provided that they cumulatively meet the following conditions:

- On the start date of the transaction the hedge relationship is identified and formally documented, including the identification of the hedged item, of the hedge instrument and the evaluation of the effectiveness of the hedge;
- There is the expectation that the hedge relationship is highly effective, on the start date of the transaction and throughout the life of the transaction;
- The efficacy of the hedge can be reliably measured on the start date of the transaction and throughout the life of the operation.

Fair value hedge

In a fair value hedge transaction of an asset or liability, the balance sheet value of this asset or liability, based on the respective accounting policy, is adjusted so as to reflect the variation in its fair value attributable to the hedged risk. The variations in the fair value of hedging derivatives are recognised in the income statement, together with the variations in fair value of the hedged assets or liabilities attributable to the hedged risk.

If the hedge ceases to meet the criteria required for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed return instrument, the revaluation adjustment is amortised in results until maturity using the effective rate method.

On 31 December 2017, the Group had no hedging operations classified as fair value hedging.

Cash flow hedging

In a hedging operation where there is exposure to a high probability of variability of future cash flow (cash flow hedge), the effective part of the variations in fair value of the hedging derivative is recognised in reserves, being transferred to results in the years in which the respective hedged item affects results. The ineffective part of the hedge is stated in results.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, the variations in fair value of the derivative accumulated in reserves are recognised in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not be made, the amounts still stated in equity are immediately recognised in the income statement and the hedging instrument is transferred to the trading portfolio.

On 31 December 2017 and 2016, the Group had no hedging operations classified as cash flow hedges.

Embedded derivatives

Derivatives which are embedded in other financial instruments are treated separately when their economic characteristics and their risks are not strictly related with the rest of the contract and with the characteristics of the underlying financial instrument. Embedded derivatives are revaluated at fair value in the income statement.

2.4. Loans to clients

Loans to clients include the loans originated by the Group, the intention of which is not their short-term sale, and which are recorded at fair value when the Bank forms part of the contractual provisions of the instrument.

Loans to clients are not recognised in the balance sheet when (i) the contractual rights of the Group relating to the respective cash flow have expired, (ii) the Group substantially transferred all the risks and benefits associated with holding them, or (iii) notwithstanding the fact that the Group may have retained part, but not substantially all, of the risks and benefits associated with holding them, control over the assets was transferred.

Loans to clients are initially recognised at fair value plus transaction costs and are subsequently valued at amortised cost, based on the effective rate method, less impairment losses.

In this caption the Group presents RMBS transactions (residential mortgage backed securities). These assets are initially recognised at fair value and subsequently at amortised cost net of impairment. Interest is recorded in the net interest income caption.

Impairment

The Group regularly assesses if there are objective signs of impairment in its credit portfolio. Impairment losses identified are charged against income and the charge is subsequently reversed if the amount of the estimated impairment loss is reduced in a later period.

A loan or loan portfolio, defined as a group of loans with similar risk characteristics, granted to clients may be classified as impaired when there is objective evidence that indicates that one or more events, which occurred after their initial recognition, have an impact on the recoverable value of the future cash flow of this loan or loan portfolio.

Each month the Group evaluates if an exposure or group of exposures show objective evidence of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows. For this evaluation and in the identification of loans with impairment on an individual basis, the Group considers the following factors as objective evidence of impairment:

- the aggregate exposure to the client and if there are any overdue loans;
- the economic-financial viability of the client’s business or professional activity and its capacity to generate sufficient cash flow to service its debt obligations in the future;
- potential changes in amount and estimated recovery periods due to financial difficulties of the client.

If an impairment loss is identified on an individual basis, the amount of the loss to be recognised corresponds to the difference between the accounting value of the loan and the actual value of the estimated future cash flow (considering the recovery period) discounted at the effective original interest rate of the contract. For a loan with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the effective current interest rate, determined by the rules in each contract.

The calculation of the present value of the estimated future cash flow of a guaranteed loan reflects the cash flow which might result from the recovery and sale of the collateral, less the costs inherent with its recovery and sale.

When a loan is considered to be definitively uncollectable (e.g. by a court decision) or the Group decides to forgive the debt or cede its rights on the loan to third parties, this is written off.

2.5. Other financial assets

Classification

- The Group classifies its other financial assets at the time of their acquisition at their respective fair value, considering the underlying intention, in accordance with the following categories:

- Financial assets at fair value through the income statement
  This category includes:
  - financial assets for trading, acquired with the main objective of being traded in the short term, or which are held as part of an asset portfolio, normally securities, in relation to which there is evidence of recent activities which could lead to the making of short term gains;
  - financial assets designated at the time of their initial recognition at fair value with variations recognised in the income statement;
  - Derivative financial instruments, excluding those that meet the requisites of hedge accounting;
  - Structured products made available by the Group, which correspond to financial instruments containing one or more embedded derivatives, which may not be bifurcated, as they never come within any of the situations described above, follow the method of valuation of these financial assets.

- *Financial assets available for sale*
  - Financial assets available for sale are non-derivative financial assets which (i) the Group has the intention of keeping for an indefinite period, (ii) which are designated as available for sale at the time of their initial recognition or (iii) which are not classified in the above categories.

  This category includes the following financial instruments:
  - Variable income securities not classified as financial assets at fair value through the income statement, including capital instruments held for an indefinite period;
  - Bonds and other fixed income securities.

Initial recognition, measurement and non-recognition

Financial assets are initially recognised at their fair value plus transaction costs, except with regard to financial assets held for trading, in which case the transaction costs are recognised directly in the income statement.

The fair value of a financial instrument corresponds to the amount for which an asset or financial liability may be sold or settled between independent, informed parties that are interested in the realization of an operation in normal market conditions.

The acquisition and disposal of: (i) financial assets at fair value through the income statement, (ii) investments held to maturity and (iii) financial assets available for sale are recognised on the trading date, or rather, on the date on which the Group undertakes to acquire or dispose of the assets.

These assets are not recognised when (i) the contractual rights of the Group to receive their cash flow expire, (ii) the Group substantially transfers all the risks and benefits associated to their detention or (iii) notwithstanding the fact that it may keep part, but not substantially all the risks and benefits associated to their detention, the Group has transferred control over the assets.

Subsequent measurement

After their initial recognition, financial assets at fair value through profit & loss are evaluated at fair value, with any variations being recognised in the income statement.

Financial assets held for sale are also recorded at fair value although respective variations are recognised in reserves until the financial assets are no longer recognised or an impairment loss is identified, at which time the accumulated value of the potential gains and losses recorded in reserves is transferred to the income statement. Exchange variations associated to these financial assets are also recognised in reserves in the case of shares and in the income statement in the case of debt instruments. Interest, calculated at the effective interest rate, and the dividends are recognised in the income statement.

The fair value of listed financial assets is determined based on the closing price (bid-price), on the price of the last transaction made or on the value of the last known bid. In the absence of a bid price, the Group estimates the fair value using (i) evaluation methodologies, such as the use of prices of recent, similar transactions made in market conditions, discounted cash flow techniques and customised evaluation models of options in order to reflect the particular features and circumstances of the instrument and (ii) evaluation assumptions based on market information

Financial instruments for which it is not possible to reliably measure their fair value are recorded at acquisition cost net of impairment losses.

Impairment

The Group regularly assesses if there is objective evidence that financial assets, or a group of financial assets, show signs of impairment. For financial assets which show signs of impairment, the respective recoverable value is determined, with impairment losses being charged against income.

Financial assets, or a group of financial assets, are impaired whenever there is objective evidence of impairment resulting from one or more events which occur after their initial recognition, such as (i) for shares and other capital instruments, a continued devaluation or significant drop in market value below acquisition cost, and (ii) for debt securities, when this event has an impact on the estimated value of the future cash flow of the financial assets, or group of financial assets, which may be reasonably estimated.

When there is evidence of impairment in the financial assets available for sale, the accumulated potential loss in reserves, corresponding to the difference between acquisition cost and the current fair value is transferred to the income statement. If the amount of the impairment loss reduces in a subsequent period, the impairment loss previously recognised is reversed in the income statement of the year up to the reinstatement of the acquisition cost, except with regard to capital instruments, in which case this criterion is not applied and the increase in fair value is recognised in Reserves.

2.6. Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for it to be settled by the payment of money or other financial assets, irrespective of its legal type.

Financial liabilities at fair value through the income statement are measured at fair value. The fair value of listed liabilities is their listed value, and gains or losses resulting from their valuation are recorded in the caption “Results from financial transactions”. If there is no listing, the Group estimates the fair value using assessment methodologies considering assumptions based on market information.

Other financial liabilities include funding from banks and clients, among others.

These liabilities are valued at amortised cost with interest being recognised in the income statement using the effective rate method.

Financial liabilities will be derecognised when the underlying commitment expires or is cancelled.

2.7. Capital instruments

Equity instruments with the nature of liabilities

Equity instruments with the nature of liabilities include redeemable non-voting preference shares whose characteristics lend this instrument a hybrid nature as they share clear characteristics of debt instruments.

Under International Accounting Standard 32, this type of instrument is classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities.

The measurement of this instrument means that it is initially entered in the caption of capital instruments with the nature of liabilities.

Income from this instrument consists in (i) possible dividends that are recorded in the income statement in the caption of other interest and charges and (ii) a redemption premium, if the difference between the book value per ordinary share in the last annual balance sheet before the redemption date and the last annual balance sheet before is positive (> 0), which will be stated as a cost in the caption of interest and similar charges of Instruments representing capital with the nature of liabilities, against the Balance Sheet caption of Other interest and similar charges. During the life of the shares, the estimated value of the a redemption premium is recognised and accounted for incrementally using calculation formula mentioned in note 31, relating to each accounts closing date.

Other equity instruments

An instrument is classified as a capital instrument when there is no contractual obligation for its settlement to be made by payment of money or any other financial asset, irrespective of its legal form, showing a residual interest in the assets of an entity after deduction of all liabilities.

Costs directly attributable to the issue of capital instruments are charged against equity capital as a deduction against the amount of the issue. Amounts paid and received for the purchase and sale of capital instruments are entered in equity capital, net of transaction costs.

Distributions made on behalf of capital instruments are deducted from equity capital as dividends when declared.

Treasury stock

Treasury Stock is entered in capital accounts at acquisition value and is not subject to revaluation. Capital gains and capital losses made on the sale of Treasury Stock are entered directly in equity capital without affecting the result for the year.

2.8. Compensation of financial instruments

Financial assets and liabilities are entered in the balance sheet for their net value when there is an exercisable legal right to compensate the amounts recognised at the same time. The exercisable right legal cannot be contingent on future events and should be exercisable in the normal course of the Group's activity and also in the case of default, bankruptcy or insolvency of the Group or counterparty.

2.9. Assets with repurchase agreement

Securities sold with a repurchase agreement (repos) for a fixed price or for a price which is the same as the sale price plus interest inherent to the period of the operation are recognised in the balance sheet. The corresponding liability is entered as an amount payable to other financial institutions or to clients, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred during the life of the agreement through the effective rate method.

Securities purchased with a resale agreement (reverse repos) for a fixed price or for a price which is the same as the sale price plus interest inherent to the period of the operation are not recognised in the balance sheet, with the purchase value being entered as a loan to other financial institutions or clients, as appropriate. The difference between the purchase value and the resale value is treated as interest and is deferred during the life of the agreement through the effective rate method.

2.10. Tangible assets

The tangible assets of the Group are valued at acquisition cost, less the respective accumulated depreciation and impairment losses. The cost includes expenses which are directly attributable to the acquisition of the goods.

Subsequent costs with tangible assets are recognised only if it can be proven that future economic benefits will result from them for the Group. All expenses with maintenance and repairs are recognised as a cost, in accordance with the accrual accounting principle.

Land is not depreciated. The depreciation of other tangible assets is calculated using the straight-line method, at the following rates of depreciation which reflect the expected useful life of the goods:

	Years
Works on rented buildings	5
Furniture and material	8 and 10
Machines and tools	5 and 7
Computer equipment	3 to 4
Interior installations	4 to 8
Transport material	4
Safety equipment	8
Buildings for own use	50

Whenever there is an indication that assets may be impaired, the Group estimates their recoverable value, and an impairment loss should be recognised whenever the book value net of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement of the year, and are reversed in later reporting periods when the reasons that led to their initial recognition cease, for the purpose, and the new amortised amount will not be higher than that that would have been accounted, if impairment losses had not been imputed to the assets, considering the depreciation that this would have suffered.

The recoverable value is determined as being the higher of the net sale price and the value in use, this being calculated based on the current value of the estimated future cash flows that are expected to be obtained from the continued use of the asset and from its sale at the end of its useful life.

2.11. Intangible assets

Costs incurred with the acquisition, production and development of software are capitalised, and also the additional expenses paid by the Group necessary for its implementation. These costs are amortised linearly over of the expected useful life of these assets, which is normally 3 years.

All other charges related with computer services are recognised as costs when incurred.

2.12. Leasing

The Group classifies leasing operations as finance leasing or operational leasing, according to their substance and not their legal form, fulfilling the criteria defined in IAS 17 – Leasing. Operations in which the risks and benefits inherent to the ownership of assets are transferred to the lessee are classified as finance leasing. All other leasing operations are classified as operational leasing.

Operational leasing

Payments made by the Group under operational leasing contracts are entered in costs in the periods they relate to.

Finance leasing

From the point of view of the lessee, finance leasing contracts are entered on their start date, in assets and in liabilities, and are capitalised at the lower between the fair value of the leased property and the minimum payments contracted for the acquisition cost of the leased property, which is equivalent to the current value of the lease instalments due. Instalment payments comprise (i) the financial charge which is debited in profit and loss and (ii) the financial amortization of the capital which is deducted from liabilities. Financial charges are recognised as costs through the period of the lease in order to produce a constant periodic interest rate on the remaining balance of the liability in each period. Goods acquired via finance leasing are depreciated at the shorter of the useful life of the goods and the lease period.

From the point of view of the lessor, finance leasing contracts are entered in the balance sheet as loans granted for the value equivalent to the net investment made in the leased property, together with any residual value not guaranteed in favour of the Group. The interest included in the instalment payments debited to clients are entered as income while the amortizations of the capital also included in the instalment payments are deducted from the value of the loan granted to clients. The recognition of the interest reflects a constant periodic rate of return on the net remaining investment of the lessor.

2.13. Employee benefits

Employees under contract with Banco de Investimento Global are all registered with the Social Security. The responsibilities of the Bank with pensions thereby consist in the payment of a contribution which will complement the eventual retirement payment from the Social Security system.

The Bank has been providing the retirement benefits of its staff through two pension plans, a defined contribution plan and a defined benefit plan, the latter being implemented following the decisions taken in the general meetings of 8 April 2005 and 5 April 2006.

Since that date each member of the board of directors of the company or worker of the Bank could choose between the two existing plans, opting for the one that they would benefit from for the purpose of retirement.

The Bank's Board of Directors made an analysis of the impact of there being two plans, which in spite of being different in nature (defined benefit *vs* defined contribution) they were established equally for most employees. In this context, it saw that since the Defined Benefit Plan was set up in 2006, and after the staff initially joined it, no-one else signed up for this plan, also noticing that there was a trend in the market to convert defined benefit plans into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

In this context, it was agreed in the General Meeting held on 21 May 2014 to stop the defined benefit plan, with the Bank providing only a defined contribution plan that would cover all the members of the board of directors of the company and the workers of the Bank.

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any differences that might appear compared with the defined benefits established for the participants of the previous defined benefit plan.

With regard to the defined benefit pension plan, there were no pensions being paid or rights acquired that would prevent it from being closed. These alterations were duly authorised by the Insurance and Pension Fund Authority.

Pension plan

Up to 2014 the Bank provided the retirement benefits of its employees through two pension plans, a defined contribution plan and a defined benefit plan.

In 2015 the defined benefit plan was terminated, leaving the Bank with only a defined contribution plan.

Liabilities with retirement pensions are calculated annually on the closing date of the accounts by independent actuaries based on the Projected Unit Credit Method. The discount rate used in this calculation is based on the market rates associated to obligations of highly rated companies, denominated in the currency in which the benefits will be paid and with a similar maturity on the date that the obligations of the plan end.

On each balance sheet date the Bank evaluates the possibility of recovering any excess of the fund in relation to responsibilities with retirement pensions, based on an expectation of a reduction in future contributions necessary.

Stock option remuneration plan

The remuneration plan with stock options allows employees to acquire shares of the BiG at the option exercise price. Considering the terms and conditions of this plan, specifically the physical settlement of the options, this is accounted as an equity settled share-based payment. On this basis, the fair value of the options attributed, determined on the date of attribution, is recognised in profit and loss as an entry against equity capital, during the vesting period.

Variable remuneration to Employees and Corporate Officers

Variable remunerations attributed to employees and to the corporate officers are accounted in the income statement of the year they relate to.

2.14. Provisions

Provisions are recognised when (i) the Group has a present, legal or constructive obligation, (ii) it can be proven that payment will be required and (iii) when a reliable estimate of the value of this obligation can be made. In the cases where the effect of the discount is material, the provision corresponds to the current value of the expected future payments, discounted at a rate that considers the risk associated to this obligation.

Provisions cease to be recognised through their use for the obligations for which they were initially set up or in cases in which the obligations are no longer observed.

2.15. Tax on profits

The Group is subject to the regime established in the Corporation Tax Code (IRC). Furthermore, deferred tax is recorded resulting from the temporary differences between the book results and the results accepted for tax purposes, whenever the criteria established in IAS 12 – Income tax – are met.

Taxation on profits includes current taxation and deferred taxation. Taxation on profits is recognised in the income statements, except when related with items which are moved in equity capital, a fact which implies their recognition in equity capital. Taxation on profits recognised in equity capital arising from the revaluation of financial assets available for sale is subsequently recognised in profit and loss at the time the gains and losses which gave rise to it were recognised in profit and loss.

Current taxation is that which is expected to be paid based on the taxable income calculated in accordance with the tax rules in force and using the tax rate approved or substantially approved and using the tax rate in each jurisdiction of the Group.

Deferred taxation is calculated in accordance with the fiscal rules in force or substantially approved and using the tax rates on the Balance Sheet date in each mandate and which are expected to be applied when the temporary differences are reversed.

Deferred tax assets are only recognised in as much as taxable profits can be expected to exist in the future that would be capable of absorbing the deductible temporary differences.

2.16. Recognition of income from services and commissions

Income from services and commissions is recognised in accordance with the following criteria:

- when obtained as the services are provided, income is recognised in the income statement in the period to which it relates;
- when income is part of the effective interest rate of a financial instrument it is stated in the income statement by the effective interest rate method.

2.17. Recognition of interest

Results referring to interest from non-derivative financial instruments measured at amortised cost and financial assets available for sale, using the effective rate method, are recognised in Interest and Similar Income or interest and similar costs. Interest on financial assets and liabilities held for trading is also included in the caption of interest and similar income or interest and similar costs, respectively.

The effective interest rate is the rate which exactly discounts estimated future payments or receipts during the expected life of the financial instrument, or when appropriate, a shorter period, for the current net balance sheet value of the financial asset or liability. In the case of fixed interest rates, the effective interest rate is established upon the initial recognition of the financial assets and liabilities and is not subsequently revised.

For the calculation of the effective interest rate the future cash flow is estimated considering all the contractual terms of the instrument, but without considering, however, possible future credit losses. The calculation includes commissions which are an integral part of the effective interest rate, transaction costs and all the premiums and discounts directly related with the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses were recognised, the interest recorded in the income statement is determined based on the interest rate used in the measurement of the impairment loss.

In respect of financial derivative instruments, with the exception of those that are classified as derivatives for risk management (note 2.3), the interest component inherent to the variation in fair value is not separated and is classified in the caption of results from assets and liabilities at fair value through the income statement. The interest component inherent to the variation in fair value of financial derivative instruments for risk management is recognised in the captions of interest and similar income or interest and similar costs.

Income is recorded as it is generated, regardless of when it is paid. Profits are recognised in as much as it is probable that their economic benefit will occur for the Group.

2.18. Earnings per share

Earnings per ordinary share are calculated by dividing the profit attributable to the shareholders of the Group by the average weighted number of ordinary shares in circulation, excluding the average number of Treasury Stock held by the Group.

For the calculation of results per diluted share, the average weighted number of ordinary shares in circulation is adjusted so as to reflect the effect of all potentially dilutive ordinary shares, like those resulting from convertible debt and from treasury stock options granted to the workers. The effect of the dilution produces a reduction in the earnings per share, resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

2.19. Cash and cash equivalents

For the purpose of the cash flow statement, cash and its equivalents include the amounts recorded in the balance sheet with a maturity of less than three months as from the date of acquisition/contracting, where cash and deposits in other credit institutions are included.

Cash and cash equivalents exclude deposits of an obligatory nature made with Central Banks.

2.20. Recognition of dividends

Income from capital instruments (dividends) is recognised when the right to receive their payment is declared.

2.21. Standards and interpretations not yet adopted

Standards and Interpretations not yet adopted by the Group are presented in Note 43.

2.22. Reporting by segments

Considering that the Group does not have equity or debt securities that are traded publicly, in the light of paragraph 2 of IFRS 8, the Group does not present information relating to segments.

2.23 Accrual accounting

The Group adopts the accounting principle of accrual accounting in relation to most of the captions in the financial statements.

Costs and revenue are stated when generated, regardless of when received.

NOTE 3
MAIN ESTIMATES AND JUDGMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Estimates and judgments that have an impact on the Group's consolidated financial statements are continually assessed, representing the Board of Directors' best estimate on the date of each report, taking into account historic performance, accumulated experience and expectations concerning future events which, in the circumstances in question, are believed to be reasonable.

The intrinsic nature of estimates means that the real reflection of the situations that were subject to an estimate may, for the purposes of financial reporting, differ from the estimated amounts.

The IFRS establish a series of accounting procedures and require management to make necessary judgements and estimates in order to decide the most appropriate accounting procedure. The main accounting estimates and judgements used by the Group in the application of the accounting principles are presented in this note with the objective of improving the understanding of how its application affects the results reported by the Group and their notification. A more detailed description of the main accounting policies used by the Group is presented in note 2 to the financial statements.

3.1. Impairment of financial assets available for sale

The Group decides that there is impairment in its financial assets available for sale when there is a continued devaluation or significant drop in value in their fair value or when it expects there to be an impact on the future cash flow of the assets. The determination of a continued devaluation or significant drop in value requires judgement. In the judgement made, amongst other factors, the Group evaluates the normal volatility of the price of the financial assets. The following triggers for the existence of impairment were considered:

- Capital securities: devaluations in the acquisition value or market value of more than 30% lower than acquisition value for a period of over twelve months;

- Debt securities: whenever there is objective evidence of events which impact on the recoverable value of the future cash flow of these assets.

Furthermore, evaluations are obtained through market prices (mark to market) or evaluation models (mark to model) which require the use of given assumptions or judgements in the establishment of estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates may result in a different level of impairment losses recognised, with the consequent impact on the Group's results.

3.2. Fair value of financial instruments

Fair value is based on market quotations, when available, and, in the absence of a quotation, it is based on recent, similar transaction prices made in market conditions, or based on evaluation methodologies, based on discounted future cash flow techniques considering market conditions, the temporal value, the profitability curve and volatility factors. These methodologies can require the use of assumptions or judgements in the estimate of fair value.

Consequently, the use of different methodologies or of different assumptions or judgements in the application of a certain model may lead to financial results different from those reported.

In relation to venture capital financial instruments, fair value is calculated by applying the following methodologies:

1) Values not admitted to trading on regulated markets:

i) Materially relevant transactions, made by entities unrelated to the company in the last twelve months after evaluation, which can be used to evaluate the venture capital assets of the company;

ii) Multiples of comparable companies in terms of sector of activity, size, leverage and profitability;

iii) Discounted cash flows, taking into consideration the contractually defined periods, the reimbursements of capital and depreciation contemplated and the effective interest rate arrived at, taking into consideration the market interest rate and the credit risk of the borrower in force on the date of the investment;

iv) NAV (Net Asset Value);

v) Analysis of the evolution of fundamental metrics (Milestones) of the companies, namely Financial Situation/Liquidity, Product Evolution from the technical point of view, Human Resources Structure, Evolution of Sales and Prospects of new capital contributions (Investment Rounds);

vi) Purchase price in the 12 months following the acquisition date.

2)Values admitted to trading on regulated markets:

i) Valuation according to the price, at the time of reference, of the markets on which they are admitted to trading.

3.3. Impairment losses on loans and advances to clients

The process of evaluation of the credit portfolio in order to determine if an impairment loss should be recognised is subject to diverse estimates and judgements. This process includes factors such as the frequency of non-fulfilment, risk notations, rates of recovery of losses and estimates both of future cash flow and of the time of their receipt.

Alternative methodologies and the use of other assumptions and estimates may result in different levels of impairment losses recognised, with the consequent impact on the results of the Group.

3.4. Tax on profits

The Group is subject to the payment of taxation on profits in diverse jurisdictions. The determination of the global amount of taxation on profits requires certain interpretations and estimates. There are diverse transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

Other interpretations and estimates may result in a different level of current and deferred taxation on profits recognised in the period.

The Tax Authorities are empowered to review the Group's fiscal situation for a period of 4 years, except in cases where reportable tax losses are used, in which case the period of expiry is the year of this right. In this way it is possible that there may be corrections to the annual taxable earnings resulting mainly from differences in the interpretation of tax law. However, the Board of Directors of the Group is confident that there will be no material corrections to the taxation on profits recorded in the financial statements.

NOTE 4
NET INTEREST INCOME

The amount of this caption is made up as follows:

	2017			2016		
	From assets/liabilities at amortised cost and assets available for sale	From assets/liabilities at fair value through the income statement	Total	From assets/liabilities at amortised cost and assets available for sale	From assets/liabilities at fair value through the income statement	Total
Interest and similar income						
Interest from applications	59,357	-	59,357	259,894	-	259,894
Interest from securities available for sale	37,770,202	-	37,770,202	37,736,445	-	37,736,445
Interest from deposits	1,115,367	-	1,115,367	196,406	-	196,406
Interest from loans to clients	1,190,277	-	1,190,277	1,367,221	-	1,367,221
Interest from financial assets held for trading	-	446,576	446,576	-	817,861	817,861
Other interest and similar income	5,819,992	-	5,819,992	5,765,386	-	5,765,386
	45,955,195	**446,576**	**46,401,771**	**45,325,352**	**817,861**	**46,143,213**
Interest and similar charges						
Interest from funding from clients	4,291,044	-	4,291,044	5,861,501	-	5,861,501
Interest from funding from banks	546,073	-	546,073	776,046	-	776,046
Interest from funding from central banks	-	-	-	22,090	-	22,090
Other interest and similar charges	25,611,191	-	25,611,191	14,269,967	-	14,269,967
	30,448,308	**-**	**30,448,308**	**20,929,604**	**-**	**20,929,604**
	15,506,887	**446,576**	**15,953,463**	**24,395,748**	**817,861**	**25,213,609**

The amount relating to other interest and similar income or other interest and similar charges refers to the depreciation of the premium/discount resulting from the difference between the nominal value of the bonds acquired and their purchase price. The value of the depreciation of the discount and of the premium is calculated using the effective rate method and is recorded in the income statement of the year throughout the life of the bond.

The caption "Other interest and similar charges" also includes the accrual of interest payable relating to positions of hedging derivatives

NOTE 5
INCOME OF CAPITAL INSTRUMENTS

On 31 December 2016, this caption, amounting to 929,342 Euros comprises dividends from financial assets available for sale. On 31 December 2017, this caption had no balance.

NOTE 6
RESULTS OF SERVICES AND COMMISSION

The amount of this caption is made up as follows:

	2017	2016
Income from services and commissions		
For transactions on behalf of third parties	4,067,928	3,040,698
For services rendered	4,924,492	3,612,828
Other income from services and commissions	871,201	1,029,765
For commission sharing	2,203,362	1,700,659
For financial consultancy services	219,346	294,954
For commitments before third parties	76,673	1,150
For guarantees provided	11,991	-
	12,374,993	**9,680,054**
Charges with services and commissions		
For transactions performed by third parties	805,206	882,210
Other charges with services and commissions	40,926	274,684
For banking services from third parties	507,074	458,314
For guarantees received	60	3,345
For transactions on financial instruments	429,779	400,479
	1,783,045	**2,019,032**
	10,591,948	**7,661,022**

NOTE 7
PROFIT/LOSS ON ASSETS AND LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT

The amount of this caption is made up as follows:

	2017			2016		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	7,584,922	1,418,476	6,166,446	6,676,925	4,228,171	2,448,754
From other issuers	477,952	78,988	398,964	643,026	190,865	452,161
Shares	2,615,055	923,285	1,691,770	3,950,410	2,351,518	1,598,892
Other variable return securities	1,174,407	561,964	612,443	875,831	312,760	563,071
Derivative financial instruments						
Contracts on exchange rates	5,409,632	3,149,043	2,260,589	7,098,985	3,749,402	3,349,583
Contracts on interest rates	61,655,912	63,620,059	(1,964,147)	60,420,158	93,658,731	(33,238,573)
Contracts on shares / indices	5,942,996	6,898,894	(955,898)	16,527,393	14,947,087	1,580,306
Other	28,362,841	17,807,414	10,555,427	49,111,786	20,009,729	29,102,057
Hedge derivatives	10,955,488	15,595,881	(4,640,393)	12,104,099	27,225,303	(15,121,204)
	124,179,205	**110,054,004**	**14,125,201**	**157,408,613**	**166,673,566**	**(9,264,953)**

The caption Other refers essentially to results with futures transactions.

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2017			2016		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed return securities						
From public issuers	40,979,461	884,864	40,094,597	41,319,486	4,642,762	36,676,724
From other issuers	2,574,707	376	2,574,331	14,835,344	451,622	14,383,722
Shares	-	-	-	109,210	1,177,826	(1,068,616)
Other	43,314	1,719	41,595	2,010,351	461,020	1,549,331
	43,597,482	**886,959**	**42,710,523**	**58,274,391**	**6,733,230**	**51,541,161**

NOTE 9
PROFIT/LOSS ON CURRENCY REVALUATION

On 31 December 2017, this caption comprises losses amounting to 3,580,178 Euros of which 371,801 Euros relates to losses with term currency revaluation and 3,208,377 Euros relates to losses from currency revaluation at sight (31 December 2016: 2,862,740 Euros).

This caption includes the results arising from the currency revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 2.2.

NOTE 10
PROFIT/LOSS ON THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2017	2016
Financial transactions		
Other losses	(42,420)	(583,559)
Other gains	25,207,053	4,549,720
	25,164,633	**3,966,161**

Gains from financial transactions recorded in this caption refer, essentially, to capital reimbursements, both scheduled and paid beforehand, and sales of RMBS (residential mortgage backed securities) classified as Loans to clients (Note 21).

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2017	2016
Other operating income		
Provision of diverse services	107,134	89,381
Repayment of expenses	731	6,416
Other	574,629	552,983
	682,494	**648,780**
Other operating costs		
Direct and indirect taxation	1,216,943	1,321,216
Contributions to deposit guarantee fund	-	419
Dues and donations	80,029	91,449
Other	613,771	727,053
	1,910,743	**2,140,137**
Other operating results	**(1,228,249)**	**(1,491,357)**

The caption Other operating income – Other includes amounts relating to operations of the Multibanco network.

The caption Other operating costs – Other essentially includes contributions for the Resolution Fund national and for the European Single Resolution Fund.

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2017	2016
Remunerations	12,274,114	11,989,590
Costs with retirements pensions		
of defined Contributions (See Note 13)	873,431	619,237
Obligatory social charges	3,190,850	2,443,916
Other staff costs	6,751,503	3,527,781
	23,089,898	**18,580,524**

On 31 December 2017 costs with remunerations and other benefits attributed to the Corporate Officers were stated at 11,091,976 Euros (31 December 2016: 7,587,852 Euros).

The provision, corresponding to the actuarial estimate of the commitment assumed by the Bank due to the employees who were covered by the defined benefit plan who moved to the defined contribution pension plan is 2,676,469 Euros.

The caption Other staff costs comprises health insurance and life assurance, among others. The variation is due essentially to the payment of the complementary benefit relating to the capitalization life insurance. This caption also includes the recognition of the differential of the interest rate of the loans granted to employees and the market interest rate.

Costs with remunerations and other benefits attributed to key management staff with senior management functions may be analysed as follows:

	2017	2016
Short-term employee benefits	4,557,165	3,586,623
Post-employment benefits	256,079	229,569
Other long-term benefits	11,924	14,455
	4,825,168	**3,830,647**

By professional category, the number of employees on 31 December 2017 and 2016 is broken down as follows:

	2017	2016
Specific functions	156	154
Middle management functions	35	27
Senior management functions	48	46
Administrative functions	11	9
Auxiliary functions	5	6
	255	**242**

NOTE 13
EMPLOYEE BENEFITS

The Bank takes care of the retirement benefits of its employees through a defined contribution pension plan.

Besides the base contribution, during 2017 and 2016, the Banco made an additional contribution (incentive) of an amount equal to that of the voluntary contribution of the employees, with a cap of 4.5% of the monthly base salary.

On 31 December 2017, the Bank recognised as a cost the total amount of 1,147,294 Euros (31 December 2016: 806,093 Euros) relating to the Defined Contribution Plan, of which 195,628 Euros relate to the additional contribution (incentive).

Since 2006 the Bank had been providing the retirement benefits of its staff through two pension plans, a defined contribution plan and a defined benefit plan, the latter being implemented following the decisions taken in the general meetings of 8 April 2005 and 5 April 2006.

Since that date each member of the board of directors of the company or worker of the Bank could choose between the two existing plans, opting for the one that they would benefit from for the purpose of retirement;

The Bank's Board of Directors made an analysis of the impact of there being two plans, which in spite of being different in nature (defined benefit *vs* defined contribution) they were established equally for most employees. In this context, it saw that since the Defined Benefit Plan was set up in 2006, and after the staff initially joined it, no-one else signed up for this plan, also noticing that there was a trend in the market to convert defined benefit plans into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

In this context, it was agreed in the General Meeting held on 8 May 2014 to stop the defined benefit plan, with the Bank providing only a defined contribution plan that would cover all the members of the board of directors of the company and the workers of the Bank.

With regard to the defined benefit pension plan, there were no pensions being paid or rights acquired that would prevent it from being closed. These alterations were duly authorised by the Insurance and Pension Fund Authority.

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any differences that might appear compared with the defined benefits established for the participants of the previous defined benefit plan.

Only 6 employees in service are participants in the Defined Benefits Plan. Under the terms of the Plan, the benefits defined are acquired by right after 60 years of age with a minimum of 10 years' service.

On 31 December 2015, the Bank made its best estimate of its liability with pensions inherent to the defined benefit plan, taking into consideration the number of employees it expected to opt for this benefit. The value of the responsibilities corresponding to past services, up to 2012, was being deferred over a period of 11.5 years, when the plan was introduced, corresponding to the estimated period of service of these employees. The discount rate used to estimate the liability with retirement pensions corresponds to the market rates in force on the balance sheet date, associated to bonds of highly-rated companies, stated in the currency in which the benefits will be paid.

In 2017 the provision constituted in 2016 was updated, corresponding to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan, by 78,494 Euros (31 December 2016: 344,794 Euros), totalling 2,676,469 Euros (31 December 2016: 2,754,963 Euros).

BiG Stock Option Plan

On 31 December 2017, the main characteristics of the BiG stock option programs were as follows:

Plan	Expected date of the end of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options	Number of shares per option
2005	nov/2018	9,000,000	1.00	1,802,965	1.96
2007	mar/2020	1,824,000	1.00	77,400	1.76
2007	mar/2020	66,800	1.00	10,020	1.67
2007	mar/2020	15,600	1.00	1,632	1.66
2010	mar/2023	65,000	1.00	23,450	1.67
2012	jan/2025	7,150,000	1.00	6,350,000	1.94
2013	jul/2026	1,473,250	1.00	1,393,250	1.58
2013	jan/2027	5,000,000	1.00	4,500,000	1.58
2013	apr/2027	200,000	1.00	200,000	1.58

(1) The expiry date refers to the lapse date of the last year for each Plan,

On 31 December 2016, the main characteristics of the BiG stock option programs were as follows:

Plan	Expected date of the end of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options	Number of shares per option
2005	nov/2018	9,000,000	1.00	2,266,621	1.96
2007	mar/2020	1,824,000	1.00	77,400	1.76
2007	mar/2020	66,800	1.00	10,020	1.67
2007	mar/2020	15,600	1.00	1,632	1.66
2010	mar/2023	65,000	1.00	43,550	1.67
2012	jan/2025	7,150,000	1.00	6,350,000	1.94
2013	jul/2026	1,473,250	1.00	1,453,250	1.58
2013	jan/2027	5,000,000	1.00	4,500,000	1.58
2013	apr/2027	200,000	1.00	200,000	1.58

(1) The expiry date refers to the lapse date of the last year for each Plan.

Technical adjustment

In 2015, following the capital increase by incorporation of the Bank's free reserves, amounting to 52,000,000 Euros, performed on 17 June 2015, a technical adjustment was made to BiG's stock option programs which aimed to ensure that this capital increase did not affect the fair value of BiG's stock options.

As contemplated in the regulations of BiG's stock option programs intended for its employees and corporate officers, in the case of corporate events that affect the value of these instruments, the corresponding adjustment should be made to the exercise price and to the number of shares that can be subscribed by each option.

In line with these provisions, the General Meeting of Shareholders of 23 April 2015 decided, at the same time as approving the capital increase by incorporation of reserves, to revise and alter the terms of the current stock option programs so that the fair value of the options did not change as a result of the capital increase.

In this context, the technical adjustment was determined through the option valuation methodology described below and consisted in the combination of the following measures: (i) reduction of the exercise price in all the options programs to 1.00 Euro, corresponding to the nominal value of BiG's shares and (ii) increase in the number of shares that each option can subscribe, in the necessary proportion to ensure that the fair value of the options would be maintained after the capital increase.

The technical adjustment and valuation of the options were reviewed and validated by an independent entity.

The reduction in the number of options in 2015 is due to the departure of employees.

The options mature, individually, after ten years has passed after the respective due dates.

The regulations relating to the stock options plan have remained substantially the same since 2005, except with regard to the due dates and to the financing. Normally the due dates are distributed over 3 years, except in the case of the corporate officers which fall due 3 years after their attribution. The maturity period, 10 years after the first due date, remained unchanged. Taking into consideration that the Bank is not listed, the exercise of the options occurs only when the Bank makes a capital increase, which cannot coincide with the communication of intention to exercise by the holders of the options.

Valuation methodology of the options

The valuation of the BiG's stock options is based on the adoption of internationally accepted market methodologies and takes the specific characteristics of the BiG's stock option programs and market data into consideration.

For the purpose of the application of the option valuation model, the value of BiG's shares is estimated based on a combination of the Discounted Cash Flows to Equity, Market Multiples and Adjusted Book Value methodologies based on the Gordon model.

NOTE 14
GENERAL ADMINISTRATIVE EXPENSES

The amount of this caption is made up as follows:

	2017	2016
Supplies	1,493,869	1,078,842
Rents	1,004,711	948,265
Communications	603,637	688,820
Travel, hotel and representation costs	434,482	521,201
Advertising and publications	1,140,255	193,258
Specialised services		
Fees	291,603	165,999
Information Technology	2,175,950	1,438,881
Security and surveillance	181,810	171,743
Information	585,950	596,936
Databases	26,022	24,855
Manual labour	100,826	99,727
Other specialised services	1,247,551	1,318,230
Other	340,619	411,795
	9,627,285	**7,658,552**

The fees billed during the year by the external auditors are detailed as follows:

	2017	2016
Accounts Auditing and Supervision Services	246,163	83,050
Other reliability guarantee services related with the Statutory Auditor	24,000	28,000
	270,163	**111,050**

The variation in the caption of Statutory Audit results, essentially, from monitoring costs with regard to auditing prior to the implementation of IFRS 9, as part of the Statutory Auditor's responsibilities.

The fees relating to the different services of the audit include the services provided with regard to the issue of the Impairment Report and of the Opinions on the Bank's Internal Control System on the Safekeeping of Clients' Goods.

NOTE 15
EARNINGS PER SHARE

Earnings per basic share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

Earnings per diluted share are calculated by adjusting the effect of all potential dilutive ordinary shares to the average weighted number of ordinary shares in circulation and to the net result attributable to the shareholders of the Bank.

	2017	2016
Net profit attributable to the bank's shareholders	52,346,618	43,712,337
Weighted average number of ordinary shares issued	156,863,447	156,000,000
Weighted average number of Treasury Stock in portfolio	(2,598)	(2,598)
Average number of ordinary shares in circulation	**156,860,849**	**155,997,402**
Earnings per share attributable to the bank's shareholders (in Euros)	**0.34**	**0.28**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2017 and 2016.

The Board of Directors made a partial interim payment of dividends as mentioned in Note 35.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Cash	2,354,530	1,370,071
Demand deposits in Central Banks	82,054,009	50,953,138
	84,408,539	**52,323,209**

The caption Demand Deposits in Central Banks includes the deposits made to satisfy the requirements of the Minimum Reserve System of the European System of Central Banks. Pursuant to regulation (EC) no. 2818/98 of the European Central Bank, of 1 December 1998, the minimum obligatory amount held in demand deposits in the Bank of Portugal is remunerated and correspond to 1% of the deposits and debt securities with a maturity period of less than 2 years, excluding deposits and debt securities of institutions subject to the European System of Central Banks' regime of minimum reserves.

Fulfilment of the minimum obligatory amounts, for a given period of observation, is achieved taking into consideration the value of the balances of the deposits in the Bank of Portugal during this period. The balance of the account in the Bank of Portugal on 31 December 2017 includes an average mandatory reserve of 10,690,200 Euros which corresponds to the maintenance period from 20 December 2017 to 30 January 2018.

This caption also includes the demand deposits in the Bank of Mozambique to meet the requirements of the regime for the constitution of obligatory minimum reserves, as established by Notice 12/GBM/2017 of 8 June 2017. Pursuant to this Notice, obligatory reserves correspond to 14% of the balances of clients' deposits, from which the banks subject to the regime of obligatory reserves are excluded. The reserves are kept in Meticais for deposits in national currency and in North American Dollars for deposits in foreign currency, these deposits not being remunerated.

The fulfilment of the minimum obligatory amounts, for a given period, takes into consideration the value of the balances of deposits in the Bank of Mozambique during this period. The balance of the accounts in the Bank of Mozambique on 31 December 2017 includes 58,499,164 Meticais and 117,171 North American Dollars corresponding to the minimum obligatory reserves to be observed in the maintenance period from 7 December 2017 to 6 January 2018.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Deposits in other banks in Portugal		
Demand deposits	1,846,618	1,712,627
Deposits in other banks abroad		
Demand deposits	68,066,596	69,673,178
	69,913,214	**71,385,805**

The banks where the BiG has deposits have a high rating, and at the end of the year 86% of these are in institutions whose rating is investment grade. The other deposits are in banks that are not classified (13%) or in banks whose rating is lower than investment grade (1%).

NOTE 18
FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Financial assets held for trading		
Securities		
Bonds and other fixed return securities		
From public issuers	5,191,168	4,011,933
From other issuers	7,094,136	3,540,452
Shares	13,895,453	2,028,087
Other	3,382,112	740,866
	29,562,869	10,321,338
Derivatives		
Derivative financial instruments with positive fair value	767,489	3,160,534
	30,330,358	13,481,872
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	543,390	1,148,033
	543,390	**1,148,033**

As per the accounting policy described in Note 2.5. Financial assets held for trading are those acquired with the objective of being traded in the short term, regardless of their maturity.

On 31 December 2017 and 2016, the caption Financial assets held for trading – Securities, was totally made up from securities listed on recognised stock exchanges.

The caption Derivative financial instruments on 31 December 2017 and 2016 is broken down as follows:

	2017			2016		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	6,804,329	16,204	16,908	-	-	-
Contracts on shares/indices						
Equity / Index Options	21,519,261	625,972	493,170	17,567,924	1,854,194	337,402
Term transactions	12,600,285	125,313	693	186,035,640	1,306,340	810,631
Other	346,035	-	32,619	-	-	-
	41,269,910	**767,489**	**543,390**	**203,603,564**	**3,160,534**	**1,148,033**

The value recorded in the Balance Sheet, in the caption Derivative financial instruments, in line with Note 2.3., is the fair value of the derivatives, while the notional amount is recorded off-Balance Sheet.

The notional total of embedded derivatives associated to complex financial products is entered in the classes of Currency Options and Equity/Index Options and amounts to 25,336,292 Euros. The positive fair value of these notional assets is 625,972 Euros, representing 81.56% of the total, and the negative fair value is 542,697 Euros, representing 99.87% of the total.

On 31 December 2017 and 2016, the distribution of the Financial assets held for trading – Securities by residual maturity, is as follows:

	2017	2016
Securities		
3 months to 1 year	384,573	100,634
From 1 to 5 years	4,488,055	4,357,714
Over 5 years	7,412,676	3,094,037
Unspecified duration	17,277,565	2,768,953
	29,562,869	**10,321,338**

On 31 December 2017 and 2016, the distribution of the Financial assets and liabilities held for trading – Derivative financial instruments, by residual maturity is presented as follows:

	2017		2016	
	Notional	Fair Value	Notional	Fair Value
Derivative financial instruments				
Up to 3 months	12,600,285	124,620	190,093,138	1,795,865
3 months to 1 year	-	-	5,569,679	458,405
From 1 to 5 years	28,669,625	99,479	7,940,747	(241,769)
	41,269,910	**224,099**	**203,603,564**	**2,012,501**

NOTE 19
FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2017 and 2016, this caption was broken down as follows:

	Cost (1)	Fair value reserve		Impairment losses	Balance Sheet Value
		Positive	Negative		
Bonds and other fixed income securities					
Public issuers	1,122,451,937	50,934	(118,651,605)	(283,359)	1,003,567,907
Other issuers	80,281,664	117,480	(1,351,058)	-	79,048,086
Shares	414,003	-	-	-	414,003
Other	-	-	-	-	-
Balance on 31 December 2016	**1,203,147,604**	**168,414**	**(120,002,663)**	**(283,359)**	**1,083,029,996**
Bonds and other fixed income securities					
Public issuers	1,249,113,317	382,397	(90,921,260)	-	1,158,574,454
Other issuers	139,430,300	581,739	(407,899)	-	139,604,140
Shares	512,477	-	(83,830)	-	428,647
Other	2,167,657	16,500	(73,140)	-	2,111,017
Balance on 31 December 2017	**1,391,223,751**	**980,636**	**(91,486,129)**	**-**	**1,300,718,258**

(1) amortised cost for debt securities and acquisition cost with regard to shares,

The average interest rate during the year ended on 31 December 2017, was 3.17% (31 December 2016: 3.37%).

In accordance with the accounting policy described in Note 2.5., the Group regularly assesses whether there is objective evidence of impairment in its portfolio of assets available for sale following the criteria of judgment described in Note 3.1.

The securities in the Group's portfolio which are given by it as a guarantee are analysed in Note 36.

On 31 December 2017 and 2016, the caption Financial assets available for sale was broken down as follows with regard to listed and unlisted securities, there being no securities with evaluation models with observable parameters/prices in the market (level 2):

	2017			2016		
	Listed market values (level 1)	**Evaluation models with no observable parameters in the market (level 3)**	**Total**	**Listed market values (level 1)**	**Evaluation models with no observable parameters in the market (level 3)**	**Total**
Bonds and other fixed return securities						
From public issuers	1,158,236,032	338,422	1,158,574,454	1,003,400,214	167,693	1,003,567,907
From other issuers	137,487,759	2,116,381	139,604,140	78,487,208	560,878	79,048,086
Shares	-	428,647	428,647	-	414,003	414,003
Other	1,465,350	645,667	2,111,017	-	-	-
	1,297,189,141	**3,529,117**	**1,300,718,258**	**1,081,887,422**	**1,142,574**	**1,083,029,996**

On 31 December 2017 and 2016, the distribution of Financial assets available for sale by residual maturity is as follows:

	2017	2016
Up to 3 months	53,751	128,448
3 months to 1 year	284,672	3,019,523
From 1 to 5 years	52,636,134	46,338,675
Over 5 years	1,245,204,037	1,032,568,469
Unspecified duration	2,539,664	974,881
	1,300,718,258	**1,083,029,996**

The movements in impairment losses in financial assets available for sale are presented as follows:

	2017	2016
Opening balance	**283,359**	**1,351,212**
Additions	-	283,288
Reversals	(260,012)	-
Exchange	(23,347)	71
Used	-	(1,351,212)
Closing balance	**-**	**283,359**

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Applications in banks in Portugal		
Deposits	3,304,015	2,338,152
Loans	108,715	91,271
	3,412,730	**2,429,423**

The residual periods of the applications in banks were structured as follows:

	2017	2016
Up to 3 months	3,304,016	2,341,749
3 months to 1 year	11,755	-
From 1 to 5 years	96,959	87,674
	3,412,730	**2,429,423**

On 31 December 2017 and 2016 there was no impairment allocated to applications in banks.

NOTE 21
LOANS TO CLIENTS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Domestic loans		
To companies		
Loans	107,134	151,985
Loans at sight	4,160,264	3,327,658
Overdrafts	1,224	2,399
Leasing	444,589	260,819
Other specialised loans	25,182	34,588
To private individuals		
Loans at sight	7,220,867	6,740,512
Mortgages	6,387,610	5,614,248
Leasing	1,810,757	1,437,775
Overdrafts	34,531	37,633
Other specialised loans	742,891	1,686,050
Other crédito	16,445,999	11,443,044
	37,381,048	**30,736,711**
Foreign loans		
To companies		
Loans	-	250,000
Overdrafts	179	348
To private individuals		
Loans at sight	1,196,097	187,249
Mortgages	480,654	308,023
Overdrafts	3,750	826
	1,680,680	**746,446**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	56,448,460	122,999,406
Issued by non-residents	213,683,192	283,092,837
	270,131,652	**406,092,243**
Past due loans and interest		
Over 90 days	148,440	152,482
	148,440	**152,482**
	309,341,820	**437,727,882**
Impairment of loans to clients	(248,282)	(243,014)
Loans to clients	**309,093,538**	**437,484,868**

On 31 December 2017 and 2016 the caption Loans at sight reflects loans granted under the margin account, which are collateralised with deposits and/or securities held in the Group.

On 31 December 2017, the Group's credit portfolio included loans granted to a member of the Board of Directors amounting to 11,079,234 Euros arising from the staff policy, pursuant to art. 85(4) of the General Regime of Credit Institutions and Financial Companies (31 December 2016: 8,439,880 Euros). The loans granted to key management staff with senior management functions amounted to 7,532,672 Euros (31 December 2016: 5,108,667 Euros).

The average interest rate during the year ended on 31 December 2017 and 2016 was 0.31%.

The residual periods of the loans to clients, including past due loans and interest, were structured as follows:

	2017	2016
Up to 3 months	12,680,682	10,342,017
3 months to 1 year	41,530	26,972
From 1 to 5 years	18,496,117	13,599,612
Over 5 years	277,975,051	413,606,799
Unspecified duration	148,440	152,482
	309,341,820	**437,727,882**

The movements in impairment of loans to clients are presented as follows:

	2017	2016
Opening balance	**243,014**	**258,678**
Additions	7,342	8,544
Reversals	(2,079)	(5,256)
Used	-	(18,952)
Exchange	5	-
Closing balance	**248,282**	**243,014**

The distribution of Loans to clients by type of rate may be presented as follows:

	2017	2016
Variable rate	308,836,707	437,272,968
Fixed rate	505,113	454,914
	309,341,820	**437,727,882**

The residual periods of leased capital were structured as follows:

	2017	2016
Instalments and residual values due		
Up to 3 months	10,040	4,502
3 months to 1 year	38,572	25,686
From 1 to 5 years	1,653,447	1,383,779
Over 5 years	729,217	425,171
	2,431,276	**1,839,138**
Interest due		
Up to 3 months	39	6
3 months to 1 year	940	503
From 1 to 5 years	98,586	93,590
Over 5 years	76,365	46,445
	175,930	**140,544**
Capital due		
Up to 3 months	10,001	4,496
3 months to 1 year	37,632	25,183
From 1 to 5 years	1,554,861	1,290,189
Over 5 years	652,852	378,726
	2,255,346	**1,698,594**

On 31 December 2017 and 2016 impairment was broken down as follows:

2017							
	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	126,410	126,410	274,870,224	7,862	274,996,634	134,272	274,862,362
Private individuals	22,030	21,915	34,323,156	92,095	34,345,186	114,010	34,231,176
Total	**148,440**	**148,325**	**309,193,380**	**99,957**	**309,341,820**	**248,282**	**309,093,538**

2016							
	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	126,479	126,226	410,120,040	5,864	410,246,519	132,090	410,114,429
Private individuals	26,003	23,140	27,455,360	87,784	27,481,363	110,924	27,370,439
Total	**152,482**	**149,366**	**437,575,400**	**93,648**	**437,727,882**	**243,014**	**437,484,868**

Following the closure of the Residential mortgage-backed securities (RMBS) peripheral primary market in 2008/2009, this class of assets ceased to be transacted in normal conditions on the secondary market during 2011. This phenomenon became explicitly clear after the second quarter of the year, when prices were no longer readily and regularly available. In this regard, and in line with paragraph AG71 of standard IAS 39, issues from the RMBS ceased to objectively qualify as being listed on an active market. Furthermore, in line with paragraphs 50 E) and F) of standard IAS 39, the Group, which had the capacity and intention of holding these assets in the foreseeable future or until maturity, reclassified them, transferring them from the category of Assets available for sale to the category of Loans to clients as of 1 July 2011, as shown in the following table:

	Acquisition value	On the transfer date				2015		2016	
		Balance Sheet value	Fair Value Reserve	Value of future cash flows a)	Effective rate b)	Market value c) e)	Fair Value Reserve d) e)	Market value c) e)	Fair Value Reserve d) e)
Financial assets available for sale	141,499,455	132,512,478	(9,316,514)	201,040,279	5,28%	26,402,616	334,893	4,972,983	(481,500)

a) Total amounts of capital and interest, not discounted; future interest calculated based on the forward rates arising from the profitability curve on the transfer date.
b) The effective rate was calculated based on the forward rates arising from the profitability curve on the transfer date; the maturity considered is the minimum between the call date, when applicable, and the maturity date of the asset.
c) This amount represents the market value if the securities are kept available for sale in the financial assets portfolio. The prices mentioned may not reflect normal market conditions as mentioned in the above note, as the amounts are not supported by effective transactions on the market, due to the fact that this is inactive.
d) This reserve represents the variation in the fair value reserve if the securities are kept available for sale in the financial assets portfolio.
e) This refers to securities transferred of Assets available for sale for loans and advances to clients, in the portfolio on this date.

NOTE 22
NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2016 the balance of the caption Non-current assets held for sale was 26,480 Euros relating to a building available for immediate sale. This building was acquired in July 2016, within the scope of an adjudication due to the insolvency of a client and was sold in the course of 2017.

NOTE 23
HEDGE DERIVATIVES

On 31 December 2017 and 2016 this caption was broken down as follows:

2017

		Derivative			Associated asset / liability		
Derivative product	**Associated financial asset/liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	-	-	-	-	-	-
Futuros	Debt instruments	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**

(1) includes accrued interest

2016

		Derivative			Associated asset / liability		
Derivative product	**Associated financial asset/liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	269,000,000	(7,732,612)	(8,771,736)	(10,093,394)	(17,173,452)	285,890,430
Futures	Debt instruments	276,000,000	-	(6,173,753)	(16,955,148)	(13,698,112)	624,103,272
		545,000,000	**(7,732,612)**	**(14,495,489)**	**(27,048,542)**	**(30,871,564)**	**909,993,702**

(1) includes accrued interest

The variations in fair value associated to the assets described above and the respective hedge derivatives are entered in the income statement of the year in the caption of Profit/loss on assets and liabilities at fair value through the income statement (note 7).

In December 2017 the Group discontinued the hedge relationships seeing that these no longer met the objectives initially defined by the Group. In line with the requisites of IAS 39, the derivatives were transferred to the trading portfolio. The revaluation adjustment of the hedged element, seeing that it is a fixed return instrument, is being amortised in results until maturity using the effective rate method.

NOTE 24
TANGIBLE ASSETS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Buildings		
Improvements to buildings	4,073,822	4,022,805
For own use	15,887,937	15,858,215
	19,961,759	**19,881,020**
Equipment		
Computer equipment	5,559,111	5,494,395
Furniture and material	1,308,559	1,280,185
Installations and interiors	2,089,246	2,090,913
Security equipment	244,712	238,829
Machines and tools	165,523	163,382
Other equipment	220,953	219,764
Transportation material	93,317	81,191
	9,681,421	**9,568,659**
Tangible assets in progress		
Computer equipment	83,293	119,221
	83,293	**119,221**
	29,726,473	**29,568,900**
Impairment	(301,115)	(301,115)
Accumulated depreciation	(14,048,690)	(13,176,433)
	15,376,668	**16,091,352**

The movement in this caption was the following:

	Buildings	Equipment	Tangible fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2015	18,537,228	9,272,945	50,285	27,860,458
Additions	1,343,792	400,044	84,315	1,828,151
Currency exchange differences	-	(104,330)	(15,379)	(119,709)
Balance on 31 December 2016	19,881,020	9,568,659	119,221	29,568,900
Additions	72,707	91,742	2,282	166,731
Reversals	-	-	(46,185)	(46,185)
Currency exchange differences	8,032	21,020	7,975	37,027
Balance on 31 December 2017	19,961,759	9,681,421	83,293	29,726,473
Depreciation				
Balance on 31 December 2015	4,499,384	7,983,526	-	12,482,910
Amortisation of the year	417,589	581,298	-	998,887
Currency exchange differences	-	(4,249)	-	(4,249)
Balance on 31 December 2016	4,916,973	8,560,575	-	13,477,548
Amortisation of the year	463,864	401,932	-	865,796
Currency exchange differences	535	5,926	-	6,461
Balance on 31 December 2017	5,381,372	8,968,433	-	14,349,805
Net balance on 31 December 2017	**14,580,387**	**712,988**	**83,293**	**15,376,668**
Net balance on 31 December 2016	**14,964,047**	**1,008,084**	**119,221**	**16,091,352**

NOTE 25
INTANGIBLE ASSETS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Acquired from third parties		
Automatic data treatment system	10,814,250	10,181,443
Other financial investments	587,197	586,747
	11,401,447	10,768,190
Intangible assets in progress		
Automatic data treatment system	244,659	204,504
	244,659	204,504
	11,646,106	10,972,694
Accumulated amortization	(9,651,230)	(8,405,246)
	1,994,876	**2,567,448**

The movement in this caption was the following:

	Automatic data treatment system	Other financial investments	Tangible fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2015	7,868,993	587,197	2,000,720	10,456,910
Additions	2,312,501	-	13,875	2,326,376
Transfers	-	-	(1,808,154)	(1,808,154)
Currency exchange differences	(501)	-	(1,937)	(2,438)
Balance on 31 December 2016	10,180,993	587,197	204,504	10,972,694
Additions	630,948	-	38,933	669,881
Currency exchange differences	2,309	-	1,222	3,531
Balance on 31 December 2017	10,814,250	587,197	244,659	11,646,106
Amortisation				
Balance on 31 December 2015	7,241,317	587,197	-	7,828,514
Amortisation of the year	576,742	-	-	576,742
Currency exchange differences	(10)	-		(10)
Balance on 31 December 2016	7,818,049	587,197	-	8,405,246
Amortisation of the year	1,244,069	-	-	1,244,069
Currency exchange differences	1,915	-	-	1,915
Balance on 31 December 2017	9,064,033	587,197	-	9,651,230
Net balance on 31 December 2017	**1,750,217**	**-**	**244,659**	**1,994,876**
Net balance on 31 December 2016	**2,362,944**	**-**	**204,504**	**2,567,448**

NOTE 26
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Estimated tax for the year	(20,522,306)	(14,960,395)
Payments on account	11,898,254	19,046,907
Withholding tax	653,000	331,152
Corrections to tax relating to previous years	-	(2,023,482)
Current tax assets / (liabilities)	**(7,971,052)**	**2,394,182**

In 2017 and 2016 the caption Estimate of tax of the year includes 1,000,000 Euros relating to the contribution from the banking sector.

NOTE 27
OTHER ASSETS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Debtors and other applications		
Debtors on futures trading	628,154	270,850
Margin applications	1,677,935	37,878,708
Public sector	36,727	36,726
Other debtors	460,518	238,665
Debtors and other applications	158,223	171,522
Other assets	133,899	133,899
	3,095,456	**38,730,370**
Impairment losses on other assets	(55,265)	(66,210)
	3,040,191	**38,664,160**
Expenses with deferred costs	1,167,502	1,009,488
Income receivable	1,053,064	1,091,624
Other accruals and deferrals		
Other pending transactions	1,995,341	845,186
	1,995,341	**845,186**
	7,256,098	**41,610,458**

The caption Margin Applications refers to collateral maintained with counterparties for trading in derivative instruments.

The caption Other pending transactions essentially relates to transactions that were still to be settled on 31 December.

On 31 December 2017 the caption Expenses with deferred costs includes an amount of 864,329 Euros (31 December 2016: 752,233 Euros) difference between the interest rate of the loans granted to employees for mortgages, personal loans and the acquisition of securities and the market interest rate.

The movements in impairment losses for other assets are presented as follows:

	2017	2016
Opening balance	**66,210**	**34,787**
Additions	10,219	51,957
Reversals	(21,164)	(20,534)
Closing balance	**55,265**	**66,210**

NOTE 28
FUNDING FROM OTHER BANKS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Domestic		
Deposits	112,444,518	118,147,416
	112,444,518	**118,147,416**
Abroad		
Deposits	5,129,005	7,072,557
Loans	292,687,111	271,603,205
	297,816,116	**278,675,762**
	410,260,634	**396,823,178**

The caption Loans essentially consists of deposits made by banks in the Group.

The average interest rate during the year ended on 31 December 2017 was 0.13% (31 December 2016: 0.16%).

The residual period of the Funding from other banks may be analysed as follows:

	2017	2016
Up to 3 months	398,835,147	392,319,888
3 months to 1 year	11,425,487	4,503,290
	410,260,634	**396,823,178**

NOTE 29
FUNDING FROM CLIENTS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Demand deposits	488,408,314	428,793,894
Term deposits	508,366,207	589,609,007
Other	39,019,454	30,646,952
	1,035,793,975	**1,049,049,853**

The caption Other essentially relates to indexed deposits and complex financial products.

The residual periods of Funding from clients were structured as follows:

	2017	2016
Up to 3 months	894,936,957	825,352,587
3 months to 1 year	122,363,592	197,772,625
From 1 to 5 years	18,493,426	25,924,641
	1,035,793,975	**1,049,049,853**

NOTE 30
PROVISIONS

On 31 December 2017 and 2016, this caption was broken down as follows:

	Provision for general credit risks	Other provisions	Total
Balance on 31 December 2015	**190,444**	**17,506,340**	**17,696,784**
Additions	-	250,000	250,000
Reversals	(190,444)	(10,943,052)	(11,133,496)
Used	-	(25,000)	(25,000)
Balance on 31 December 2016	**-**	**6,788,288**	**6,788,288**
Additions	-	1,498,410	1,498,410
Reversals	-	(3,500,000)	(3,500,000)
Used	-	(45,910)	(45,910)
Balance on 31 December 2017	**-**	**4,740,788**	**4,740,788**

This caption includes provisions set up to cover other specific risks, legal proceedings and other losses arising from the Group’s activity.

NOTE 31
INSTRUMENTS REPRESENTING CAPITAL

The General Meetings of the BiG held on 08 May 2014 and on 21 April 2016, authorised the Board of Directors to make a capital increase through the issue of redeemable preference shares intended for workers and members of the Corporate Offices of the Bank. Following these deliberations, in July 2016, the Board of Directors of the Bank made a capital increase by the issue of 12,000,000 (twelve million) non-voting redeemable preference shares.

The non-voting redeemable preference shares have characteristics that grant this instrument a hybrid nature as they share clear characteristics of debt instruments. It is for this reason that, under the International Accounting Standards, they are classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities, and the respective income paid is entered as interest.

The preference shares issued by BiG are, in accordance with the deliberation for their issue and the current wording of BiG's by-laws, subject to redemption in the period of 38 months from the date of their issue, or rather, the shares are issued for a fixed period and both the issuer and their holders have an unconditional right to redemption, with reimbursement of the capital holding and to the redemption premium, in accordance with the following formula:

Redemption premium per share: Max [0; 1.5 x (VCPAn - VCPAi) / VCPAi] x VN
VN – Nominal value
VCPAi – Book value per share at the time i (last balance sheet annual prior to the issue date)
VCPAn – Book value per share at the time n (last balance sheet annual prior to the redemption date)
1.5 – multiple of book value
For the purposes of the calculation of the book value per share the total number of ordinary shares is considered.
Redemption Period / Date: 38 months

In December 2017 there were two capital increases, decided by the Board of Directors of the Bank on 15 November 2017 and 14 December 2017, with the issue of 15,947,388 new ordinary shares which led to a direct reduction in the book value per share. Before these capital increases the book value per share was 2.1384 Euros and became 2.0328 Euros, and so an adjustment should be made to the formula to calculate the redemption premium of the redeemable preference shares in order to ensure the neutrality of these events.

The need to adjust the calculation of the redemption premium was established in the report justifying the proposal to suppress the preference right in the capital increase with the issue of redeemable preference shares, approved by BiG's Shareholders in the General Meeting of 21 April 2016, along the following terms: In the event of the occurrence of an exceptional corporate situation that affects the book value of the shares, the redemption premium may be adjusted so that the holder is not affected positively or negatively by this event, in the terms set out in the Regulations on the Attribution of Redeemable Preference Shares in force in the Bank.

In this regard, the technical sheet of the capital increase approved by the Board of Directors of the Bank on 15 May 2016 also allows for the application of this adjustment mechanism to guarantee the entirety of the redemption premium contemplated in the event of exceptional corporate situations, implemented by BiG, that could artificially prejudice the contemplated redemption premium.

Likewise, the Regulations for the subscription of redeemable preference shares and of subscription options or the acquisition of shares for employees, workers, and members of the corporate offices of the Banco de Investimento Global, SA, May 2016, approved by BiG and accepted by the subscribers of the redeemable preference shares establishes that: If Banco de Investimento Global, S.A. performs any act that might affect the rights of the holders of the redeemable preference shares, namely with regard to the calculation of the redemption premium, the Bank will make the necessary adjustments so that these rights of the holders of the redeemable preference shares are identical to those that would exist if the act had not been performed.

Consequently, to compensate the impact of the capital increases performed in December 2017, the book value per share based on the last annual balance sheet prior to the redemption date should be multiplied by the correction factor of 1.051937907 (corresponding to the result of 2.1384 Euros / 2.0328 Euros), as in the formula below:

$PR = MAX\ [0; 1{,}5 \times (VCPA_n \times F - VCPA_i) / VCPA_i] \times VN$

Wherein:
PR – Redemption premium
VN – Nominal value
VCPAi – Book value per share based on the last annual balance sheet prior to the Issue Date
VCPAn – Book value per share based on the last annual balance sheet prior to the Redemption Date
F – correction factor of corporate events, corresponding to 1.051937907
1.5 – multiple of book value
For the purposes of the calculation of the book value per share, the total number of ordinary shares will be considered.

The accounting policy inherent to the accounting of this type of instrument is described in Note 2.6.

In 2016, under the formula for the calculation of the redemption premium, there was no need to make any accounting entry. In 2017 the amount of 3,805,716.70 Euros was entered relating to the accrual of this premium.

In 2017 and 2016 an interim dividend was paid, amounting to 0.07 Euros and 0.06 Euros respectively per share, stated as interest.

	2017	2016
Instruments representing capital	16,765,717	12,000,000

Of the total of 12,000,000 redeemable preference shares issued, 8,000,000 were subscribed by the members of the Board of Directors and 4,000,000 by relevant employees.

NOTE 32
CONTINGENT LIABILITIES – RESOLUTION FUND

The Resolution Fund is a legal entity under public law with administrative and financial autonomy, created by Decree Law no. 31-A/2012, of 10 February, which is governed by the General Regime of Credit Institutions and Financial Companies ("RGICSF") and by its regulations and whose mission is to provide financial support to the resolution measures applied by the Bank of Portugal, in the capacity of the national resolution authority, and to perform all the other functions granted by the law related with the execution of these measures.

The Bank, like most of the financial institutions operating in Portugal, is one of the participants in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal which is essentially based on the amount of its liabilities. In 2017, the Bank's periodical contribution amounted to 224,882 Euros, based on a contribution rate of 0.023% calculated pursuant to Instruction 6/2013 of the Bank of Portugal

As part of its responsibility as the authority of supervision and resolution of the Portuguese financial sector, on 3 August 2014, the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to article 145º-G(5) of the RGICSF, which consisted in the transfer of the majority of its activity to a transition bank, called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To make up the share capital of the Novo Banco, the Resolution Fund provided 4,900,000,000 Euros, of which, 377,000,000 Euros corresponded to its own financial resources. A loan of 700,000,000 Euros was also granted by a bank syndicate to the Resolution Fund, the participation of each credit institution being weighted according to diverse factors, including the respective size. The remaining amount (3,823,000,000 Euros) was from a refundable loan granted by the Portuguese State.

In December 2015, the national authorities decided to sell the majority of assets and liabilities associated to the activity of Banif – Banco Internacional do Funchal, S.A. ("Banif") to Banco Santander Totta, S.A. ("Santander Totta"), for 150,000,000 Euros, also in the context of the application of a resolution measure. This operation involved an estimated amount of 2,255,000,000 Euros in public funds which aimed to cover future contingencies, of which 489,000,000 Euros was financed by the Resolution Fund and 1,766,000,000 Euros directly by the Portuguese State. In the context of this resolution measure, Banif's assets identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the emission of bonds representative of the debt of this vehicle, amounting to 746,000,000 Euros, with the guarantee of the Resolution Fund and counter-guarantee of the Portuguese State.

The resolution measures applied in 2014 to the BES (a process that gave rise to the creation of Novo Banco) and in 2015 to Banif created uncertainties related with the risk of litigation involving the Resolution Fund, which is significant, and also with the risk of the possible shortage of funds to cover the liabilities, in particular the short-term reimbursement of the financing taken out.

It was in this context that in the second semester of 2016 that the Portuguese Government reached an agreement with the European Commission, in order to alter the conditions of the financing granted by the Portuguese State and by the banks participating in the Resolution Fund in order to preserve financial stability, by means of fostering conditions that would grant predictability and stability to the contributive effort towards the Resolution Fund. For the purpose, a supplement to the loan contracts to the Resolution Fund was formalised, which introduced a series of alterations to the reimbursement plans, to the rates of remuneration and other terms and conditions associated to these loans in order to adjust them to the capacity of the Resolution Fund to fully meet its obligations based on its normal revenue, or rather, without the need to charge special contributions or any other type of extraordinary contribution from the banks participating in the Resolution Fund.

According to the statement of the Resolution Fund of 31 March 2017, the review of the conditions of the financing granted by the Portuguese State and by the participating banks aimed to ensure the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector. Base on this review, the Resolution Fund assumed that the full payment of the responsibilities of the Resolution Fund is ensured, and also the respective remuneration, without the need for the banking sector to resort to special contributions or any other type of extraordinary contributions.

Also, on 31 March 2017, the Bank of Portugal notified that it had selected the Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017 through the injection, by the new shareholder, of 750,000,000 Euros, which will be followed by a new entry of capital of 250,000,000 Euros, to be made in a period of up to three years. The Lone Star Fund became the owner of 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%. Furthermore, the conditions approved include a contingent funding mechanism, pursuant to which the Resolution Fund, as a shareholder, may be called on to make injections of capital if certain cumulative conditions come about, related with: (i) the performance of a restricted number of assets of Novo Banco and (ii) the evolution of the bank's capitalization levels, namely the contemplated issue in the market of 400,000,000 Euros of Tier 2 capital instruments. The possible capital injections to be made pursuant to this contingent mechanism are subject to an absolute maximum limit of 3,890,000,000 Euros during a period of 8 years.

Given the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by the bank syndicate, in which the Bank is not included, and the public statements made by the Resolution Fund and by the Office of the Minister for Finance which mention that this possibility will not be used, although this possibility is contemplated in the applicable legislation on the payment of special contributions, these financial statements do not reflect any eventual future requirement for the Bank to make special contributions or any extraordinary contributions to finance the resolution measures applied to BES and to Banif, and also the contingent funding mechanism mentioned in the previous paragraph.

Given the relevance and materiality of the topic, BiG has closely accompanied all the events that implied alterations regarding the operation of the Resolution Fund, having recognised, immediately in 2014, in the caption of provisions for general banking risks, a provision to address contingencies arising from this event, based on the Bank's prudent interpretation of paragraph 14 of IAS 37.

In this context of uncertainty, and in spite of the background presented, in order to address the guidelines given by the Bank of Portugal in this matter, in 2017 BIG reversed the remaining amount of 3,500,000 Euros of the provision relating to the Resolution Fund set out in the caption of Provisions for general banking risks; this provision was constituted in 2014, presenting a balance of 8,000,000 Euros at the close of that year; the balance of this provision was reinforced in 2015 to 9,000,000 Euros, and partially reversed in 2016 to 3,500,000 Euros.

NOTE 33
TAX

The Bank and its subsidiaries determined the amount of its current tax on income for the years 2017 and 2016 based on a nominal tax rate of 21%, plus a municipal surtax rate of 1.5%. An additional rate of 3% relating to the State Tax is also applied, for the years 2017 and 2016 to the taxable income of over 1,500,000 Euros to 7,500,000 Euros. A rate of 5% is applied to the taxable income between 7,500,000 Euros and 35,000,000 Euros, and with a rate of 7% being applied to taxable income over 35,000,000 Euros.

The Group calculated the amount of its deferred tax for the years 2017 and 2016 based on a nominal rate of 21%, plus a rate of 1.5% relating to the municipal surtax. An additional rate of 3% relating to State Tax is also applied for the years 2017 and 2016 on taxable income over 1,500,000 Euros to 7,500,000 Euros. A rate of 5% is applied to the taxable income between 7,500,000 Euros and 35,000,000 Euros, and a rate of 7% is applied to taxable income over 35,000,000 Euros.

The Portuguese Tax Authorities are empowered to review the Group's calculation of its annual taxable earnings for a period of 4 years, except if there are reportable tax losses, where the period of expiry is the year of this right. In this way, possible corrections may be made to the tax base, resulting mainly from differences in interpretation of fiscal legislation. However, the Board of Directors considers that there are no material differences in respect of taxation of profits recorded in the financial statements.

The deferred tax assets and liabilities recognised in the Balance Sheet in 2017 and 2016 may be analysed as follows:

	2017	2016
Financial assets available for sale	28,622,338	35,887,272
Other	95,455	317,984
Net deferred tax assets / (liabilities)	**28,717,793**	**36,205,256**
Tax movement in the year	**(7,487,463)**	**15,309,490**

The movement in deferred tax in 2017 and 2016 is explained as follows:

	2017			2016		
	Recognised in results	Recognised in reserves	Total	Recognised in results	Recognised in reserves	Total
Financial assets available for sale	(83,845)	(7,181,089)	(7,264,934)	-	15,235,152	15,235,152
Other	(226,708)	4,179	(222,529)	74,338	-	74,338
	(310,553)	**(7,176,910)**	**(7,487,463)**	**74,338**	**15,235,152**	**15,309,490**

The income tax reported in results and reserves, is explained as follows:

	2017	2016
Recognised in reserves		
Deferred tax	(7,176,910)	15,235,152
	(7,176,910)	**15,235,152**
Recognised in results		
Current tax		
Of the year	(19,510,969)	(13,960,395)
From previous years	990,560	(844,573)
	(18,520,409)	**(14,804,968)**
Deferred tax	(310,553)	74,338
	(18,830,962)	**(14,730,630)**
	(26,007,872)	**504,522**

The reconciliation of the tax rate for 2017 and 2016 may be analysed as follows:

	2017		2016	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		71,177,579		58,442,966
Estimated tax charge	27.5%	19,573,834	27.5%	16,071,816
Corrections due to tax credits	-0.01%	(7,378)	-	-
Non-deductible costs for tax purposes	0.66%	472,113	0.70%	410,275
Tax benefits	-0.09%	(60,662)	-	-
Tax loss	0.32%	226,707	-	-
Autonomous taxation and double taxation	0.01%	7,424	0.14%	84,585
Contributions on the banking sector	0.41%	292,898	0.56%	328,123
Other	-2.35%	(1,673,975)	-3.70%	(2,164,170)
	26.46%	**18,830,961**	**25.20%**	**14,730,629**

NOTE 34
OTHER LIABILITIES

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Creditors and other dues		
Public sector	3,630,497	1,959,400
Securities transactions	2,081	2,081
Other creditors	158,975	335,898
	3,791,553	**2,297,379**
Costs payable		
Staff charges	8,110,229	10,923,453
Other charges payable	2,801,892	1,750,403
	10,912,121	**12,673,856**
Revenue from deferred income	35,210	31,129
Other accruals and deferrals		
Other pending transactions	20,874,403	4,874,883
	20,874,403	**4,874,883**
	35,613,287	**19,877,247**

The caption “Other pending transactions” essentially relates to operations that were still unsettled by 31 December.

The caption “Staff Costs” essentially relates to the deferred part of variable remunerations attributed in previous years.

NOTE 35
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2017 the Bank’s capital was represented by 171,947,388 ordinary shares (31 December 2016: 156,000,000 shares), with the nominal value of 1 Euro each, fully subscribed and paid up.

In December 2017 two share capital increases were made, respectively of 15,000,000 and 947,388 ordinary shares – thus going from 156,000,000 Euros to 171,947,388 Euros – with the issue of fifteen million nine hundred and forty-seven thousand three hundred and eighty eight new shares, with the nominal value of 1 Euro each, within the terms approved by the General Meeting of the Bank.

On 31 December 2017 and 2016, the Bank’s shareholder structure was the following:

	2017	2016
António da Silva Rodrigues	11.63%	12.39%
Carlos Adolfo Coelho Figueiredo Rodrigues	11.31%	9.94%
Adger – SGPS. S.A.	10.43%	11.14%
WWC World Wide Capital - SPGS. S.A.	9.30%	9.93%
Nicholas Leo Racich	5.67%	5.31%
JRI – SGPS. S.A.	4.69%	5.00%
Bâloise Vie Luxembourg S.A.	4.51%	4.81%
Oceangest - Gestão e Empreendimentos Imobiliários. S.A.	4.29%	4.62%
LNKM Hospitality Capital - Fundo Capital de Risco	2.14%	2.29%
José António de Melo Pinto Ribeiro	1.91%	2.04%
Helena Adelina S. L. Marques Carmo	1.88%	2.01%
Other	32.24%	30.52%
	100.00%	**100.00%**

The Bank also issued 12,000,000 (twelve million) non-voting redeemable preference shares, which have the nature of liabilities (note 31).

Thus, even though strictly for statutory purposes the Bank's share capital is considered to be 183,947,388 Euros, given the accounting treatment and characteristics of the redeemable non-voting preference shares, the caption Share capital is represented by 171,947,388 ordinary shares with the nominal value of 1 Euro each.

Issue premiums

On 31 December 2017 and 2016, the issue premiums amounting to 1,362,281 Euros refer to the premiums paid by the shareholders in the capital increases made.

Treasury stock

During 2017 and 2016, there were no movements in the Treasury stock caption.

Fair value reserve

Fair value reserves represent potential capital gains and losses relating to the portfolio of financial assets available for sale less impairment recognised in the income statement. The value of this item is presented net of deferred taxation and current taxation.

The fair value reserve for the years ended on 31 December 2017 and 2016 is analysed as follows:

	2017	**2016**
Cost of financial assets available for sale (Note 19) (1)	1,391,223,751	1,203,147,604
Impairment Losses (Note 19)	-	(283,359)
Market value of financial assets available for sale (Note 19)	1,300,718,258	1,083,029,996
Fair value reserve of financial assets for sale	(90,505,493)	(92,785,706)
Fair value reserve associated to macro-hedging for interest rate risk	-	(27,048,543)
Fair value reserve of financial assets at amortised cost (Note 21)	(437,130)	(1,451,567)
Exchange differences	(1,687,401)	(2,069,582)
Deferred tax	28,626,516	35,808,683
Current tax	176,019	451,427
	(63,827,489)	**(87,095,288)**

(1) amortised cost for debt securities and acquisition cost with regard to shares

The movement of the fair value reserve, net of taxation, for 2017 and 2016 is analysed as follows:

	2017	**2016**
Balance on 1 January	**(87,095,288)**	**(48,229,428)**
Change in fair value	30,347,370	(51,707,985)
Current tax recognised in the year in reserves	(275,407)	(214,766)
Deferred tax recognised in the year in reserves	(7,186,345)	15,235,152
Exchange differences	382,181	(2,178,261)
	23,267,799	**(38,865,860)**
Balance on 31 December	**(63,827,489)**	**(87,095,288)**

Legal reserve

Pursuant to article 97 of the General Regime of Credit Institutions and Financial Companies approved by Law no. 298/91, of 31 December and altered by Law no. 201/2002, of 25 September, the companies of the Group should set aside a portion of not less than 10% of net profits in each year for the creation of a legal reserve, up to a limit equal to the value of the share capital or to the sum of the free reserves set up and of the retained earnings, if greater.

Interim dividends

The Board of Directors made the payment of partial, interim dividends of 0.07 Euros per share, in November of 2017, amounting to 10,919,818 Euros, based on the certified results of the period from 1 January 2017 to 30 September 2017.

NOTE 36
OFF–BALANCE SHEET ACCOUNTS

On 31 December 2017 and 2016, this caption was broken down as follows:

	2017	2016
Guarantees provided and other liabilities		
Assets given as guarantee	1,114,761,155	872,269,750
Guarantees and sureties	264,469	98,000
	1,115,025,624	**872,367,750**
Guarantees received		
Personal guarantees		
Guarantees and sureties	4,867,378	5,207,365
Other	11,705	408,610
Real guarantees		
Securities	79,044,292	64,362,835
Loans	6,285,703	7,578,121
Real Estate	8,317,133	7,582,291
	98,526,211	**85,139,222**
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System	674,614	674,614
Revocable commitments		
Bank overdraft facilities	75,349,395	49,527,329
	76,024,009	**50,201,943**
Liabilities for services provided		
Asset custody and deposit	1,550,532,882	1,290,137,414
For asset administration	441,757,475	371,977,139
For collection of amounts	365,583	139,609
	1,992,655,940	**1,662,254,162**

On 31 December 2017 and 2016, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Investor Compensation System amounting to 662,622 Euros (31 December 2016: 740,775 Euros);
- securities provided as a guarantee to the European System of Central Banks amounting to 126,538,513 Euros (31 December 2016: 404,237,529 Euros). Assets provided as a guarantee correspond to a pool of securities, which on 31 December 2017 were not to be used as collateral in liquidity operations;
- other securities provided as a guarantee 987,560,020 Euros (31 December 2016: 467,291,446 Euros). Assets given as guarantee correspond to a pool of securities, of which a significant part was not being used as collateral in liquidity operations

NOTE 37
RELATED PARTY TRANSACTIONS

The Group's policy on transactions with related parties establishes the rules to be observed and procedures to be followed, whenever there are transactions with related parties. Within the terms contemplated in IAS 24, and based on this policy, the following are considered related parties of the BiG, namely:

(i) shareholders whose shareholding exceeds, directly or indirectly, in the terms of articles 13-A and 13-B of the General Regime of Credit Institutions and Financial Companies (RGICSF), 10% of the share capital or of the voting rights of BiG. (The shareholder structure of the Group may be consulted in Note 36);
(ii) the members of the corporate and supervisory officers of the Bank;
(iii) the spouse, domestic partner, close members of the family of the people mentioned in line (ii) above;
(iv) members of the key management personnel of companies of the BiG Group, who correspond to people with a category or functions, with authority and responsibility for the planning, management and control of activities of the BiG Group;
(v) any fund or benefit plan, such as pensions, other retirement benefits, life insurance and medical care insurance, for the benefit of the employees of BiG;

(vi) other entities in which any related party of BiG is: (i) partner; (ii) director, namely as a member of the corporate or supervision offices (iii) holder, individually or jointly, directly or indirectly of, at least, half of the respective share capital or voting rights.

On 31 December 2017 and 2016, the balances reflected in the captions of Assets relating to related parties are represented as follows:

2017	Credit	Other Assets
Shareholders with holdings over 10%	-	1,162
Governing Body		
Members of the Board of Directors	10,661,676	418,550
Closely related persons	1,028,826	42,459
Pension Fund	11	-
Senior management of Group companies	68,339	7,509
	11,758,852	**469,680**

2016	Credit	Other Assets
Shareholders with holdings over 10%	-	1,175
Governing Body		
Members of the Board of Directors	8,239,239	4,097
Closely related persons	720,912	-
Pension Fund	-	123
Senior management of Group companies	200,641	4,437
	9,160,792	**9,832**

On 31 December 2017 and 2016, the balances reflected in the captions of Liabilities relating to related parties are represented as follows:

2017	Funding from Clients	Other Liabilities
Shareholders with holdings over 10%	7,338,404	-
Governing Body		
Members of the Board of Directors	2,382,263	-
Closely related persons	422,443	-
Members of the Fiscal Board		
Members of the Fiscal Board	604,293	372
Closely related persons	170,797	-
Pension Fund	566	-
Senior management of Group companies	229,846	-
	11,148,612	**372**

2016	Funding from Clients	Other Liabilities
Shareholders with holdings over 10%	6,416,235	5,713
Governing Body		
Members of the Board of Directors	1,820,317	15
Closely related persons	617,309	271
Members of the Fiscal Board		
Members of the Fiscal Board	1,307,565	80
Closely related persons	276,472	48
Pension Fund	2,659,703	145
Other Companies	242,383	-
	13,339,984	**6,272**

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2017 and 2016, the fair value of the financial assets and liabilities is presented as follows:

	Amortised cost	Listed market values (level 1)	Evaluation models with parameters / prices observable in the market (level 2)	Evaluation models with no observable parameters in the market (level 3)	Total Balance Sheet value	Fair Value
31 December 2017						
Cash and deposits in central banks	84,408,539	-	-	-	84,408,539	84,408,539
Deposits in other banks	69,913,214	-	-	-	69,913,214	69,913,214
Financial assets held for trading					-	-
Securities					-	-
Bonds and other fixed return securities					-	-
From public issuers	-	5,191,168	-	-	5,191,168	5,191,168
From other issuers	-	7,094,136	-	-	7,094,136	7,094,136
Shares	-	13,895,453	-	-	13,895,453	13,895,453
Other	-	3,382,112	-	-	3,382,112	3,382,112
Derivatives					-	-
Contracts on exchange rates	-	-	16,204	-	16,204	16,204
Contracts on shares/indices	-	-	79,814	546,158	625,972	625,972
Term transactions	-	-	125,313	-	125,313	125,313
Financial assets available for sale						
Bonds and other fixed return securities						
From public issuers	-	1,158,236,032	-	338,422	1,158,574,454	1,158,574,454
From other issuers	-	137,487,759	-	2,116,381	139,604,140	139,604,140
Shares	-	-	-	428,647	428,647	428,647
Other	-	1,465,350	-	645,667	2,111,017	2,111,017
Applications in banks	3,412,730	-	-	-	3,412,730	3,412,730
Loans to clients [a)]	309,093,538	-	-	-	309,093,538	312,065,119
Financial assets	**466,828,021**	**1,326,752,010**	**221,331**	**4,075,275**	**1,797,876,637**	**1,800,848,218**
Financial liabilities held for trading						
Derivatives						
Contracts on exchange rates	-	-	16,908	-	16,908	16,908
Contracts on shares/indices	-	-	380,618	112,552	493,170	493,170
Term transactions	-	-	693	-	693	693
Other	-	-	32,619	-	32,619	32,619
Funding from other banks	410,260,634	-	-	-	410,260,634	410,260,634
Funding from clients	1,035,793,975	-	-	-	1,035,793,975	1,035,793,975
Common Stock representative Instruments	-	-	-	16,765,717	16,765,717	16,765,717
	1,446,054,609	**-**	**430,838**	**16,878,269**	**1,463,363,716**	**1,463,363,716**
31 December 2016						
Cash and deposits in central banks	52,323,209	-	-	-	52,323,209	52,323,209
Deposits in other banks	71,385,805	-	-	-	71,385,805	71,385,805
Financial assets held for trading						
Securities						
Bonds and other fixed return securities						
From public issuers	-	4,011,933	-	-	4,011,933	4,011,933
From other issuers	-	3,540,452	-	-	3,540,452	3,540,452
Shares	-	605,592	-	-	605,592	605,592
Other	-	2,163,361	-	-	2,163,361	2,163,361
Derivatives						
Contracts on shares/indices	-	-	1,854,194	-	1,854,194	1,854,194
Term transactions	-	-	1,306,340	-	1,306,340	1,306,340
Financial assets available for sale						
Bonds and other fixed return securities						
From public issuers	-	1,003,400,214	-	167,693	1,003,567,907	1,003,567,907
From other issuers	-	78,487,208	-	560,878	79,048,086	79,048,086
Shares	-		-	414,003	414,003	414,003
Applications in banks	2,429,423	-	-	-	2,429,423	2,429,423
Loans to clients [a)]	437,484,868	-	-	-	437,484,868	425,586,165
Financial assets	**563,623,305**	**1,092,208,760**	**3,160,534**	**1,142,574**	**1,660,135,173**	**1,648,236,470**
Financial liabilities held for trading						
Derivatives						
Contracts on shares/indices	-	-	337,402	-	337,402	337,402
Term transactions	-	-	810,631	-	810,631	810,631
Funding from other banks	396,823,178	-	-	-	396,823,178	396,823,178
Funding from clients	1,049,049,853	-	-	-	1,049,049,853	1,049,049,853
Hedge derivatives	-	-	7,732,612	-	7,732,612	7,732,612
Common stok representative instruments	-	-	-	12,000,000	12,000,000	12,000,000
	1,445,873,031	**-**	**8,880,645**	**12,000,000**	**1,466,753,676**	**1,466,753,676**

[a)] The prices mentioned may not reflect normal market conditions as mentioned in note 21, as the amounts are not supported by effective transactions on the market, due to the fact that this is inactive.

The BiG Group's fair value assets and liabilities are valued, pursuant to IFRS 7 and IFRS 13, in accordance with the following hierarchy:

Level 1– Financial instruments registered at fair value based on the listed prices available in official markets and as disclosed by entities which usually provide prices of transactions for these assets/liabilities traded on liquid markets.

Level 2 – Financial instruments registered at fair value through the use of internal evaluation models, specifically discounted cash flow models and option evaluation models, which imply the use of estimates and require judgements which vary according to the complexity of the products being assessed. However, the Group uses variables provided by the market as inputs in its models, such as interest rate curves, credit spreads, volatility and indices on quotations. It also includes instruments the valuation of which is obtained through quotations divulged by independent entities but in markets which have much less liquidity.

Level 3 – This level includes financial instruments that are measured based on evaluation models with parameters that are not observable in the market. This group includes valuations determined by the use of internal evaluation models or quotations provided by third parties but where the parameters used are not observable in the market.

During 2017 and 2016 no transfers were made between the different evaluation levels of the assets and liabilities.

Presented below are the main methods and assumptions used in the estimate of the fair value of the financial assets and liabilities recorded in the balance sheet at amortised cost:

Cash and deposits in central banks, Deposits in other banks and Applications in banks
Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Loans and advances to clients
Considering that the Bank's portfolio is composed essentially of short term and recent loans, the Balance Sheet value is considered as a reasonable estimate of the fair value of the loans and advances to clients.

Funding from other banks
Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Funding from clients
Considering that the interest rates applicable are variable in nature and the period of maturity of the deposits is substantially less than one year, there are no materially relevant differences in their fair value.

The main parameters used on 31 December 2017 and 2016 in the valuation models were:

Market interest rates are based on information provided by Bloomberg, namely resulting from the quotations of interest rate swaps. The values for short term interest rates are obtained in the Euro Money Market.

The interest rate curves of the main currencies for the years 2017 and 2016 may be analysed as follows:

(amounts expressed as a percentage)

	2017		2016	
	EUR	USD	EUR	USD
Overnight	-0.4225	1.3100	-0.5000	0.5000
1 month	-0.3680	1.5643	-0.3680	0.7717
3 months	-0.3290	1.6943	-0.3190	0.9979
6 months	-0.2710	1.8371	-0.2210	1.3177
9 months	-0.2170	--	-0.1390	--
1 year	-0.1860	2.1070	-0.0820	1.6857
3 years	0.0110	2.1690	-0.1040	1.6898
5 years	0.3130	2.2437	0.0750	1.9752
7 years	0.5610	2.3106	0.3140	2.1610
10 years	0.8865	2.3980	0.6630	2.3367
15 years	1.2445	2.4897	1.0295	2.4955
20 years	1.4135	2.5345	1.1760	2.5607
25 years	1.4740	2.5439	1.2180	2.5838
30 years	1.4950	2.5423	1.2340	2.5925

The 90 day volatility of interest rate instruments, calculated on the price of public debt instruments for the most liquid terms (bond futures), in the years 2017 and 2016 may be analysed as follows:

(percentage)

	2017		2016	
	EUR	USD	EUR	USD
3 years	0.742	1.013	0.825	1.672
5 years	1.586	1.892	1.824	2.628
7 years	2.464	2.937	3.066	4.98
10 years	3.675	3.226	5.221	4.22

The evolution of the exchange rates of the main currencies for the years 2017 and 2016, and respective historic volatilities used in the evaluation of currency exchange derivatives may be analysed as follows:

			Volatilities %		
	2017	2016	3 months	6 months	1 year
EUR/USD	1.1993	1.054	6.750	7.075	7.339
EUR/GBP	0.88723	0.856	8.088	7.618	8.168
EUR/JPY	135.01	123.400	7.248	7.693	8.026
EUR/CHF	1.1702	1.074	4.994	5.230	4.889

The evolution of the main share indices for the years 2017 and 2016, and respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

	List price			Historic volatility %		Implicit volatility %	
	2017	2016	Variation %	1 month	3 months	Call	Put
PSI20	5,388.33	4,679.20	15.2	7.325	8.451	13.66	13.66
Eurostoxx	3,503.96	3,290.52	6.5	10.169	8.489	11.79	11.79
DAX	12,917.64	11,481.06	12.5	11.328	9.752	12.89	12.89
S&P	2,673.61	2,238.83	19.4	6.270	5.547	8.47	8.47
Nasdaq 100	6,396.422	4,863.62	31.5	10.144	10.043	13.74	13.74
Dow Jones Ind.	24,719.22	19,762.60	25.1	7.049	6.116	9.21	9.21

NOTE 39
RISK MANAGEMENT

Background

The Bank seeks to manage the risks inherent to the banking business on a daily basis, specifically market, liquidity, credit, operational, technological, compliance and reputational risks. Additional information on this topic is available in the Board of Directors Report.

Due to the fact that these risks are normally related, the Group structured a system of internal control which, through procedures, policies and other instruments of control, seeks to manage all of the risks in a comprehensive and integrated manner. These procedures and policies are generically conceived to ensure effective processing, to ensure robust systems, an appropriate assumption of risk, independent reporting and responsible behaviour, as well as respect for adhering to regulatory, legal and prudential guidelines.

In the management of its exposure to risk, the Group is guided by the following basic principles:

- Regular review of policies and procedures by the Administration
- Formal establishment of responsibilities for Risk Management in the Group
- Independent process of surveillance of business units
- Policies and procedures intended to ensure an appropriate diversification of risk categories
- Maintenance of an appropriate system of internal reporting
- Evaluation and disciplined measurement of risks, including statistical and qualitative measures
- Training in the identification of risks in the diverse business units.

Risk measurement

The Group uses a series of different methodologies to measure and control the different types of risk exposure, which are analysed together with information on the specific counterparty or country risk, specifically:

- Value at Risk (VaR);
- Limits per counterparty, family, class of assets or portfolio
- Limits of concentration;
- Basis Point Values;
- Non-statistical indicators, such as stress tests (Economic Value and Earnings at Risk) and sensitivity analyses of the risk parameters of derivative products (greeks)
- Back testing.

Risk management is an evolving process and is one of the daily centers of attention of Management, especially because any isolated methodology may be insufficient to provide a complete vision of our exposure. As a policy, we seek to quantify the potential losses associated with all the aspects of our business in order for us to have a reasonable prior estimate of the potential loss upon the occurrence of unexpected events. These can range from those which are possible based on recent historic data, to those which we consider highly improbable, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

An assessment of market risk involves a daily review of all the measures mentioned above. The credit risk generally concentrates its focus on nominal and fractionated exposures, concentrations by lender or group, sector or geography and stress testing. The risk management of liquidity, interest and exchange rate combine a number of methodologies, which include basis point values and scenario analyses. The exposure to derivatives is measured with sensitivity analyses of exposures measured in basis points. An evaluation of the more subjective risks to which the bank may be exposed, such as the reputational risk and the correlation risk, depend on scenario analyses in order to arrive at quantitative estimates.

Market Risk

Market Risk represents the possible loss in value of financial instruments as a result of changes in market conditions.

In terms of financial markets, the key risks to be managed are related with:

- Liquidity risk: resulting from treasury management and the different maturities of assets and liabilities.
- Interest rate risk: resulting from changes in the level, slope and curvature of interest rate curves, interest rate volatility and the duration of the credit margins.
- Price risk of securities and raw materials: resulting from exposure to changes in the price of the underlying assets and volatility.
- Exchange rate risk: resulting from exposure to changes in the spot price, at a future point in time, and volatility.
- Risk hedging: resulting from the management of exposure to changes in the price of the underlying assets used to hedge Clients' positions and products.

VaR

In terms of the product lines and portfolios of private clients, statistical measures, such as VaR, are combined with non-statistical measures, including stress tests, back testing and measures of earnings-at-risk advisories, to ensure that there are adequate controls over the expected results by risk type in any market conditions. The Group calculates VaR using a time horizon of one month (22 working days) and a confidence interval of 99%. This means that the Group can expect to incur losses greater than the estimated VaR only once every 100 working days, or approximately 2.5 times per year. As the VaR is a theoretical approach based on historic data, the model has limitations and cannot always produce exact forecasts on the future market risk. Changes in VaR between reporting periods, for example, are generically due to changes in levels of exposure, volatility and the correlation between securities.

The *VaR* for the years ended on 31 December 2017 and 2016 is presented as follows:

	2017				2016			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	24,504	45,121	218,480	2,878	9,776	131,982	359,775	6,189
Interest rate risk	81,794	345,796	1,778,772	15,332	39,756	354,548	2,170,589	17,467
Shares	411,277	344,265	536,501	37,461	26,986	308,454	1,216,188	26,986
Options	166,894	149,194	246,558	54,526	110,665	116,878	399,005	20,992
Effect of diversification	47%	41%			17%	30%		
Total VaR	**363,883**	**519,292**	**1,908,212**	**94,738**	**155,751**	**635,924**	**2,483,922**	**134,179**

The management of VaR for different trading portfolios remained within the limits established for 2017 for the whole year. The exposure allocated to stock portfolios, structured products and foreign exchange for trading remained, on average, in line with the levels recorded in 2016.

Sensitivity analysis

With regard to the sensitivity analysis to stock market indices in the portfolio, or of stock market indices for which we have shares of the respective index in portfolio, the variation in prices of these indices is presented below in relation to the years ended on 31 December 2017 and 2016:

	List price			Historic volatility %	
	2017	**2016**	**Variation %**	**1 month**	**3 months**
DAX	12,917.64	11,481.06	12.51	11.33	9.75
IBEX 35	10,043.90	9,352.10	7.40	10.63	13.51
CAC 40	5,312.56	4,862.31	9.26	9.63	8.18
AEX	544.58	483.17	12.71	8.55	7.55
FTSE MIB	21,853.34	19,234.58	13.61	12.07	10.97
PSI20	5,388.33	4,679.20	15.15	7.33	8.45
Eurostoxx	3,503.96	3,290.52	6.49	10.17	8.49
S&P	2,673.61	2,238.83	19.42	6.27	5.55
ESTX Banks €	130.48	117.67	10.89	14.93	14.84
ESTX Retail € Pr	304.80	314.10	(2.96)	10.85	10.63
FTSE China A50	13,195.72	9,970.30	32.35	19.45	13.83
Swiss Market	9,381.87	8,219.87	14.14	8.38	8.07
BEL20	3,977.88	3,606.36	10.30	7.47	7.25

In order to analyse the impact that a decline to stock market prices has on the shares of the trading portfolio a sensitivity analyses are made on them. Within this analysis a sudden change of +/- 10% was applied in all the indices, and for each share the magnitude of the blow was weighted by the Beta of the share with the respective reference index.

A sensitivity analysis resulting from a +/- 10% decline to the stock market indices for the years ended on 31 December 2017 and 2016 is presented as follows:

Impact resulting from a sudden drop in stock indices	**2017**		**2016**	
	+10%	**-10%**	**+10%**	**-10%**
DAX	54,513	(54,513)	(1,642)	1,642
IBEX 35	299,460	(299,460)	23,861	(23,861)
CAC 40	79,398	(79,398)	67,298	(67,298)
AEX	11,716	(11,716)	-	-
FTSE MIB	(1,252)	1,252	(114,270)	114,270
PSI20	879,184	(879,184)	15,547	(15,547)
Eurostoxx	(75,172)	75,172	(549,489)	549,489
S&P	(838,888)	838,888	(3,821)	3,821
ESTX Banks €	40,083	(40,083)	-	-
ESTX Retail € Pr	(77,353)	77,353	-	-
FTSE China A50	(249,224)	249,224	-	-
Swiss Market	(100,409)	100,409	-	-
BEL20	883	(883)	-	-
Total impact	**22,940**	**(22,940)**	**(562,516)**	**562,516**

Stress Testing

These tests are complementary to VaR limits and are an essential tool for managing market risk. By using economic stress testing, the Group tries to estimate the potential losses associated with a given instrument, book or portfolio, in different scenarios. Stress tests of income at risk provide Management with an estimate of the potential variation in the value of a given position, whether current or contemplated, as a result of various scenarios used to take decisions relating to the assumption, increase or reduction of positions. We undertake tests on the portfolios held by the Group on a daily basis assuming certain historic market events or other scenarios to simulate our exposure and, in certain cases, the exposure of ours Clients to potential losses. When no historic data is available, underlying assets of classes of identical assets with a high level of correlation may be used.

Currently, the Group uses 16 different scenarios to carry out more than 96 daily stress tests on the various trading and investment positions. The potential impact on the Group's portfolios is also estimated daily when we allow for worst case scenarios in the credit market, *Stress Test Debt*. These stress tests are presented and discussed in the Report of the Board of Directors.

Liquidity risk

One of the assumptions in the Group's strategy is that of a reduced exposure to liquidity risk. The basic principles of this strategy are (i) to obtain availability of liquidity prior to the acquisition/constitution of any asset, (ii) to ensure that a major part of the Group's Balance Sheet can be converted into liquidity in the short term and (iii) to be reasonably independent of the interbank market in terms of financing.

The management of the Group's immediate resources is carried out so as to minimise the risk of an increase in lending activities which might imply a decrease in liquidity, or rather, a rate of growth in loans which is greater than that of resources.

The exposure by maturity of the Group's Balance Sheet assets and liabilities are distributed in the following manner for the years ended on 31 December 2017 and 2016:

2017

	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and deposits in central banks	84,408,539	-	-	-	-	-	84,408,539
Deposits in other banks	69,913,214	-	-	-	-	-	69,913,214
Financial assets held for trading	-	125,313	384,573	5,130,232	7,412,675	17,277,565	30,330,358
Financial assets available for sale	-	53,751	284,672	52,636,134	1,245,204,037	2,539,664	1,300,718,258
Applications in banks	-	3,304,016	11,755	96,959	-	-	3,412,730
Loans to clients	-	12,680,682	41,530	18,496,117	277,975,051	148,440	309,341,820
	154,321,753	**16,163,762**	**722,530**	**76,359,442**	**1,530,591,763**	**19,965,669**	**1,798,124,919**
Liabilities							
Financial liabilities held for trading	-	693	-	542,697	-	-	543,390
Funding from other banks	-	398,835,147	11,425,487	-	-	-	410,260,634
Funding from clients	-	894,936,957	122,363,592	18,493,426	-	-	1,035,793,975
Hedge derivatives	-	-	-	-	-	-	-
	-	**1,293,772,797**	**133,789,079**	**19,036,123**	**-**	**-**	**1,446,597,999**

2016							
	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and deposits in central banks	52,323,209	-	-	-	-	-	52,323,209
Deposits in other banks	71,385,805	-	-	-	-	-	71,385,805
Financial assets held for trading	-	2,606,495	562,507	4,449,880	3,094,037	2,768,953	13,481,872
Financial assets available for sale	-	128,448	3,019,523	46,338,675	1,032,568,469	974,881	1,083,029,996
Applications in banks	-	2,341,749	-	87,564	-	-	2,429,423
Loans to clients	-	10,342,017	26,972	13,249,612	413,956,799	152,482	437,727,882
	123,709,014	**15,418,709**	**3,609,002**	**64,475,841**	**1,449,269,305**	**3,896,316**	**1,660,378,187**
Liabilities							
Financial liabilities held for trading	-	810,631	3,468	333,934	-	-	1,148,033
Funding from other banks	46,438,724	345,881,164	4,503,290	-	-	-	396,823,178
Funding from clients	444,381,054	380,971,533	197,772,625	25,924,641	-	-	1,049,049,853
Hedge derivatives	-	-	-	-	7,732,612	-	7,732,612
	490,819,778	**727,663,328**	**202,279,383**	**26,258,575**	**7,732,612**	**-**	**1,454,753,676**

Interest rate risk

Interest rate risk measures the probability of the occurrence of negative impacts on the Group's income or capital caused by movements in the absolute levels of interest rates, in spreads between two rates, or in the configuration of the interest rate curve, among other factors.

The exposure of the assets and liabilities to the interest rate risk is presented in the table below, by maturity, for the years ended on 31 December 2017 and 2016:

2017				
	Portfolio (1)		Off Balance Sheet (2)	
Time frame	***Assets***	***Liabilities***	***Assets***	***Liabilities***
spot - 1 month	382,237,236	998,480,466	-	-
1 - 3 months	188,960,953	294,218,698	-	-
3 - 6 months	17,542,953	83,313,147	-	-
6 - 12 months	20,014,779	50,000,495	-	-
1 - 2 years	35,333	15,947,524	-	-
2 - 3 years	15,812,373	1,439,225	-	-
3 - 4 years	2,029,479	662,612	-	-
4 - 5 years	16,528,452	444,065	-	-
5 - 7 years	80,108,031	-	-	-
7 - 10 years	50,523,084	-	-	-
10 - 15 years	445,521,046	-	-	484,161,600
15 - 20 years	281,865,733	-	-	-
> 20 years	268,239,845	-	-	486,008,760
Total	**1,769,419,297**	**1,444,506,232**	**-**	**970,170,360**

(1) Assets available for sale, retail portfolio and RMBS
(2) Interest rate hedging instruments

2016				
	Portfolio (1)		Off Balance Sheet (2)	
Time frame	*Assets*	*Liabilities*	*Assets*	*Liabilities*
spot - 1 month	279,569,909	897,860,907	-	-
1 - 3 months	230,401,938	314,489,711	-	-
3 - 6 months	117,884,341	154,405,976	268,989,338	-
6 - 12 months	12,764,223	50,427,488	-	-
1 - 2 years	20,984	17,437,396	-	-
2 - 3 years	58,548	6,842,621	-	-
3 - 4 years	15,884,437	947,110	-	-
4 - 5 years	9,913,391	697,513	-	-
5 - 7 anos	12,423,194	-	-	-
7 - 10 years	242,151,185	-	-	-
10 - 15 years	73,427,407	-	-	364,312,947
15 - 20 years	236,570,188	-	-	-
> 20 years	433,313,023	-	-	378,388,153
Total	**1,664,382,768**	**1,443,108,722**	**268,989,338**	**742,701,100**

(1) Assets available for sale, retail portfolio and RMBS
(2) Interest rate hedging instruments

Sensitivity analysis

Included in the non-statistical Basis Point Value indicators, the sensitivity to the interest rate risk for the years ended on 31 December 2017 and 2016 is presented as follows:

	2017				2016			
	Parallel increase of 100 pb	Parallel reduction of 100 pb	Increase after 1 year of 50pb	Reduction after 1 year of 50pb	Parallel increase of 100 pb	Parallel reduction of 100 pb	Increase after 1 year of 50pb	Reduction after 1 year of 50pb
On 31 December	(14,113,863)	14,113,863	(7,278,536)	7,278,536	(9,841,421)	9,841,421	(4,597,914)	4,597,914
On 30 June	(21,779,520)	21,779,520	(10,709,311)	10,709,311	(6,417,633)	6,417,633	(3,346,138)	3,346,138

Asset and liability re-pricing risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2017 and 2016 are presented as follows:

2017						
	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	84,408,539	84,408,539	-	-	-	-
Deposits in other banks	69,913,214	69,913,214	-	-	-	-
Financial assets held for trading	30,330,358	17,277,565	125,313	384,573	5,130,232	7,412,675
Financial assets available for sale	1,300,718,258	2,539,664	53,751	284,672	52,636,134	1,245,204,037
Applications in banks	3,412,730	-	3,304,016	11,755	96,959	-
Loans to clients	309,341,820	148,440	12,680,682	41,530	18,496,117	277,975,051
Total	**1,798,124,919**	**174,287,422**	**16,163,762**	**722,530**	**76,359,442**	**1,530,591,763**
Financial liabilities held for trading	543,390	-	693	-	542,697	-
Funding from other banks	410,260,634	-	398,835,147	11,425,487	-	-
Funding from clients	1,035,793,975	-	894,936,957	122,363,592	18,493,426	-
Hedge derivatives	-	-	-	-	-	-
Total	**1,446,597,999**	**-**	**1,293,772,797**	**133,789,079**	**19,036,123**	**-**
GAP (Assets - Liabilities)	**351,526,920**	**174,287,422**	**(1,277,609,035)**	**(133,066,549)**	**57,323,319**	**1,530,591,763**

2016						
	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	52,323,209	52,323,209	-	-	-	-
Deposits in other banks	71,385,805	71,385,805	-	-	-	-
Financial assets held for trading	13,481,872	2,768,953	2,606,496	562,507	4,449,879	3,094,037
Financial assets available for sale	1,083,029,996	974,881	128,448	3,019,523	46,338,675	1,032,568,469
Applications in banks	2,429,423	-	2,341,749	-	87,674	-
Loans to clients	437,727,882	152,482	10,342,017	26,972	13,559,612	413,606,799
Total	**1,660,378,187**	**127,605,330**	**15,418,710**	**3,609,002**	**6,447,584**	**1,449,619,305**
Financial liabilities held for trading	1,148,033	-	810,631	3,468	333,934	-
Funding from other banks	396,823,178	-	392,319,888	4,503,290	-	-
Funding from clients	1,049,049,853	-	825,352,587	197,772,625	25,924,641	-
Hedge derivatives	7,732,612	-	-	-	-	7,732,612
Total	**1,454,753,676**	**-**	**1,218,483,106**	**202,279,383**	**26,258,575**	**7,732,612**
GAP (Assets - Liabilities)	**205,624,511**	**127,605,330**	**(1,203,064,396)**	**(198,670,381)**	**38,217,265**	**1,441,536,693**

Currency exchange risk

In the currency exchange markets there was a reduction in the levels of volatility for the main currency pairs, namely Euro-Dollar, Euro-Pound and Euro-Yen. This trend continued throughout 2017, and at the close of 2017 the historic volatility for the period of one year was always lower than that recorded at the end of 2016. For the Euro-Swiss Franc the levels of volatility remained at values similar to those registered from the start of the second quarter of 2016.

The reference interest rate of the Euro was at 0%, the same as since the first quarter of 2016, a historic minimum level. In relation to the exchange rates of the Euro against the main currencies we should point out the valuation of the Euro against the Dollar throughout 2017, after having reached historic minimum levels at the end of 2016. There was also a recovery of the Euro against other currencies, namely the Swiss Franc and Yen.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2017 and 2016 is presented as follows:

2017					
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total
Assets by currency					
Cash and deposits in central banks	83,091,677	424,872	36,092	855,898	84,408,539
Deposits in other banks	48,929,260	17,511,767	1,105,881	2,366,306	69,913,214
Financial assets held for trading	27,992,402	2,329,402	-	8,554	30,330,358
Financial assets available for sale	1,211,988,991	78,877,173	-	9,852,094	1,300,718,258
Applications in banks	809,060	-	-	2,603,670	3,412,730
Loans to clients	309,093,460	78	-	-	309,093,538
Non-current assets held for sale	-	-	-	-	-
Tangible assets	14,932,942	-	-	443,726	15,376,668
Intangible assets	1,975,455	-	-	19,421	1,994,876
Investments in subsidiary and associated companies	-	-	-	-	-
Current tax assets	-	-	-	-	-
Deferred tax assets	28,717,793	-	-	-	28,717,793
Other assets	5,442,461	1,296,974	21,873	494,790	7,256,098
Total Assets	**1,732,973,501**	**100,440,266**	**1,163,846**	**16,644,459**	**1,851,222,072**
Liabilities by currency					
Financial liabilities held for trading	447,249	96,141	-	-	543,390
Funding from other banks	403,374,990	6,398,367	-	487,277	410,260,634
Funding from clients	962,973,424	65,223,098	1,291,760	6,305,693	1,035,793,975
Hedge derivatives	-	-	-	-	-
Provisions	4,740,788	-	-	-	4,740,788
Current tax liabilities	7,638,338	-	-	332,714	7,971,052
Instruments representing capital	16,765,717	-	-	-	16,765,717
Other liabilities	17,097,398	16,587,206	52,415	1,876,268	35,613,287
Total Liabilities	**1,413,037,904**	**88,304,812**	**1,344,175**	**9,001,952**	**1,511,688,843**
Net assets - liabilities by currency	**319,935,597**	**12,135,454**	**(180,329)**	**7,642,507**	**339,533,229**

2016					
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total
Assets by currency					
Cash and deposits in central banks	50,631,150	245,541	6,411	1,440,107	52,323,209
Deposits in other banks	50,894,688	17,497,944	649,129	2,344,044	71,385,805
Financial assets held for trading	11,755,006	1,716,237	-	10,629	13,481,872
Financial assets available for sale	850,716,527	230,138,066	-	2,175,403	1,083,029,996
Applications in banks	591,626	1,041	-	1,836,756	2,429,423
Loans to clients	437,481,213	112	-	3,543	437,484,868
Hedge derivatives	26,480	-	-	-	26,480
Tangible assets	15,634,382	-	-	456,970	16,091,352
Intangible assets	2,543,283	-	-	24,165	2,567,448
Current tax assets	2,291,548	-	-	102,634	2,394,182
Deferred tax assets	36,126,668	-	-	78,588	36,205,256
Other assets	41,272,657	211,215	48	126,538	41,610,458
Total Assets	**1,499,965,228**	**249,810,156**	**655,588**	**8,599,377**	**1,759,030,349**
Liabilities by currency					
Financial liabilities held for trading	1,148,033	-	-	-	1,148,033
Funding from other banks	390,961,403	5,362,284	-	499,491	396,823,178
Funding from clients	993,576,283	50,975,360	1,139,295	3,358,915	1,049,049,853
Hedge derivatives	7,732,612	-	-	-	7,732,612
Provisions	6,788,288	-	-	-	6,788,288
Instruments representing capital	12,000,000	-	-	-	12,000,000
Other liabilities	19,030,971	477,019	34,304	334,953	19,877,247
Total Liabilities	**1,431,237,590**	**56,814,663**	**1,173,599**	**4,193,359**	**1,493,419,211**
Net assets - liabilities by currency	**68,727,638**	**192,995,493**	**(518,011)**	**4,406,018**	**265,611,138**

Sensitivity analysis

The Group does not speculate on currency markets (FX) and the use of VaR limits reflects its strategy of limiting exposure to foreign currency fundamentally to its Clients' business and associated fluxes. During 2017 BiG also opted to have some assets in the Balance Sheet in Dollars (corporate debt and some exposure to emerging markets), and in this way the exposure to Eurodollar futures contracts and foreign exchange forwards was intended to hedge the exchange risk for these assets. Albeit residual, during 2017 BiG also had exposure to some debt securities in other currencies.

In order to analyse the impact of a blow to exchange rates on the exposures held in the FX trading portfolio, an alteration of +/- 15% was applied to all exchange rates.

The sensitivity analysis resulting from a decline of +/- 15% in exchange rates for the years ended on 31 December 2017 and 2016 is presented as follows:

2017

Currency	Base scenario – Original currency	Base scenario – Equivalent	Impact resulting from a rise / drop of: +15%	Impact resulting from a rise / drop of: -15%
Australian Dollar	121,726	79,321	(10,346)	13,998
Brazilian Real	67,782	17,061	(2,225)	3,011
Canadian Dollar	146,110	97,154	(12,672)	17,145
Swiss Franc	39,710	33,934	(4,426)	5,988
Danish Krone	39,183	5,263	(686)	929
Pound Sterling	(29,542)	(33,297)	4,343	(5,876)
Russian Rouble	2,200,612	31,713	(4,136)	5,596
Yen	1,010,820	7,487	(977)	1,321
Norwegian Krone	(1,431,518)	(145,475)	18,975	(25,672)
Swedish Krone	1,390,624	141,269	(18,426)	24,930
American Dollar	4,055,455	3,381,518	(441,068)	596,739
New Zealand Dollar	(3,700,000)	(2,195,846)	286,414	(387,502)
Hong Kong Dollar	52,464	5,598	(730)	988
Mexican Peso	(14,883)	(629)	82	(111)
New Turkish Lire	(92,951)	(20,445)	2,667	(3,608)
Won	1,660,635,631	1,297,767	(169,274)	229,018
Metical	(19,819,599)	(281,622)	36,733	(49,698)
Indian Rupee	71,000	927	(121)	164
Rand	4,708	318	(41)	56
Total impact			**(315,914)**	**427,416**

2016

Currency	Base scenario – Original currency	Base scenario – Equivalent	Impact resulting from a rise / drop of: +15%	Impact resulting from a rise / drop of: -15%
Australian Dollar	318,514	218,220	(28,463)	38,510
Canadian Dollar	145,674	102,674	(13,392)	18,119
Swiss Franc	729	679	(88)	120
Danish Krone	751,567	101,093	(13,186)	17,840
Pound Sterling	(15,421)	(18,012)	2,350	(3,178)
Indian Rupee	(125)	(1)	(1)	(1)
Brazilian Real	22,615	6,592	(860)	1,164
Norwegian Krone	2,647,797	291,405	(38,009)	51,425
Swedish Krone	454,037	47,530	(6,199)	8,387
American Dollar	1,626,795	1,543,302	(201,300)	272,348
Yen	(148,842,859)	(1,206,182)	157,328	(212,856)
Mexican Peso	(17)	-	(1)	(1)
Hong Kong Dollar	49,469	6,051	(789)	1,068
New Turkish Lira	266,444	71,872	(9,375)	12,683
Meticals	(150,754,806)	(2,007,818)	261,889	(354,321)
Total impact			**109,904**	**(148,693)**

Hedging risk

The quantification of the risk of the Group's book of derivative products depends on a number of variables related with the market, including the price of underlying assets, volatility, interest rates and time to maturity. The Group quantifies its exposure to these variables carrying out sensitivity analyses known as "greeks" which are mathematical terms defined below.

In general, the levels of sensitivity to volatility (Vega) recorded values higher than those registered in 2016. However, the higher levels of sensitivity occurred in the second and third quarters of the year. During this period the oscillations in Vega levels meant not only variations in volatility levels but also oscillations in the free positions of structured derivatives.

Analysing the different sensitivities of the Group's trading portfolio for 2017, we see the almost consistent long profile in the stock markets.

The Delta values were, in general, lower than those recorded in 2016. In fixed rate products, the Bank opted for a long strategy in bonds. Exposure to the interest rate risk was lower during 2017, and this reduction reflected both the exposure to fixed rate assets and also the higher levels of the hedging of the interest rate risk.

2017

	Rho	*Vega*	*Delta*	*Theta*
Minimum	(374,613)	17,207	(273,907)	(28,046)
Maximum	140,386	116,463	392,218	1,433
Average	(102,444)	63,128	(23,899)	(6,028)
Standard Deviation	97,570	23,667	146,728	3,683

2016

	Rho	*Vega*	*Delta*	*Theta*
Minimum	(453,396)	(8,485)	(61,095)	(216,624)
Maximum	159,129	81,585	1,348,583	912
Average	(115,826)	18,465	351,555	(12,806)
Standard Deviation	118,931	17,076	159,992	23,141

Rho Sensitivity to interest rates
Vega Sensitivity to volatility
Delta Sensitivity to underlyings
Theta Sensitivity to time

Limits and Reporting

Limits on trading activity are essential to the process, with limits approved by class of product, and by market operator and which may be calculated by means of a combination of non-statistical measures, including BPV's (Basis Point Value), and statistical measures, such as VaR (Value at Risk), analysed beforehand. A daily report is prepared for management with all relevant indicators and positions, based on the statistical and non-statistical measures established.

Credit risk

Credit Risk is the risk of loss as a result of a default by a borrower or counterparty.

The Group is exposed to credit risks in a number of its activities. These necessarily include direct exposure to clients who have contracted loans, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the Group, and market or settlement risk associated with trading activities by clients.

Credit risk arising from dealings with professional counterparties as well as issuers of quoted securities, is assessed in combination with procedures for managing market risks discussed above in Market Risk.
In its process of analysis and approval, the Group assesses its exposure both in terms of individual transactions, in terms of the maximum exposure per client and, separately, in terms of the respective portfolios, to ensure there is adequate control over risk concentrations in each sector or industry. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. In the course of the Group's day to day activity, integrated systems to monitor exposures are an essential element in the process of credit risk management.

The Credit Risk Management process begins with the Board of Directors, which approves general policies and guidelines for credit risks. The Board then delegates in the Chief Credit Officer and to other members of the Credit Risk Committee and support personnel the day to day implementation of these policies and responsibilities, which include:

- Analysis and control of counterparty risks;
- Definition of quantitative and qualitative guidelines for credit reviews;
- Control and monitoring of client, family and "house limit" risks;
- Documentation, control and form completion systems;
- Management and control of risk monitoring policies and systems;
- Maintenance of a credit scoring and approval matrix;
- Integrity of the credit approval process;
- Strict adherence to regulatory standards and principles;
- Application of prices appropriate to the risks assumed.

The Group's exposure to the credit risk can include loans to clients, investments in corporate bonds, interbank total value and replacement value risks, the risk of liquidation of certain securities, amounts receivable under derivatives and foreign currency contracts, and commitments assumed under guarantees or commercial paper programmes.

The distribution by sector of activity for the years ended on 31 December 2017 and 2016 is presented as follows:

2017

	Loans to clients		Financial assets held for trading	Financial assets available for sale	Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	
Agriculture, silviculture and fisheries	13,890	45	-	-	-
Mining industries	-	-	399,891	45,135,626	-
Manufacturing industries	72	-	6,353,385	44,909,554	-
Electricity, gas, steam, hot and cold water and cold air	-	-	10,207,804	-	-
Construction	193,389	126,118	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	2,846	9	384,573	53,751	-
Transports and storage	441	408	397,600	-	-
Financial activity and insurance	273,055,236	3,754	5,084,838	34,199,567	-
Real estate	903,988	1,388	-	-	-
Scientific, technical consultancy and similar	476,350	1,690	255,652	582,814	-
Public administration and defence; Obligatory social security	-	-	5,191,168	1,158,236,032	-
Human health and social support	160,046	570	596,153	9,184,788	-
Mortgages	6,379,513	51,938	-	-	-
Loans to private individuals	27,952,540	61,984	226,055	-	255,119
Other	203,509	378	1,233,239	8,416,126	9,350
	309,341,820	**248,282**	**30,330,358**	**1,300,718,258**	**264,469**

2016

	Loans to clients		Financial assets held for trading	Financial assets available for sale	Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	
Agriculture, silviculture and fisheries	5	-	-	-	-
Mining industries	-	-	955,954	9,950,978	-
Manufacturing industries	318	-	722,121	18,980,623	-
Electricity, gas, steam, hot and cold water and cold air	-	-	560,182	-	-
Construction	129,257	125,911	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	164,105	202	61,513	-	-
Transports and storage	534	253	346,822	30,693,104	-
Financial activity and insurance	408,508,486	2,770	5,227,355	5,078,908	-
Real estate	563,771	639	7,605		-
Scientific, technical consultancy and similar	283,322	1,539	189,784	9,224,258	-
Public administration and defence; Obligatory social security	-	-	3,998,853	989,217,978	-
Human health and social support	63,850	288	308	4,075,059	-
Mortgages	5,922,248	48,973	-	-	-
Loans to private individuals	21,559,116	61,953	-	-	-
Other	532,870	486	1,411,375	-	98,000
	437,727,882	**243,014**	**13,481,872**	**1,067,220,908**	**98,000**

Exposure to public debt of Euro Zone countries

On 31 December 2017 and 2016 the Group's exposure to the public debt of Euro Zone countries is as follows:

	2017		2016	
	Financial assets held for trading	**Financial assets available for sale**	**Financial assets held for trading**	**Financial assets available for sale**
Portugal	5,153,710	48,839,444	3,957,335	393,848,499
Spain	-	499,776,802	-	209,571,107
Italy	-	582,147,240	-	354,448,133
Greece	37,458	-	30,942	-
	5,191,168	**1,130,763,486**	**3,988,277**	**957,867,739**

All the exposures presented are recorded in the Group's Balance Sheet at fair value based on listed market values.

The breakdown of the exposure to securities in the portfolio of Financial assets available for sale and Financial assets held for trading is as follows:

2017

	Nominal value	**List value**	**Accumulated interest**	**Balance Sheet value**	**Fair value reserve**
Financial assets held for trading					
Portugal					
Maturity of over 1 year	4 669 535	5 091 874	61 836	5 153 710	-
Greece					
Maturity of over 1 year	67 721	36 412	1 046	37 458	-
Financial assets available for sale					
Portugal					
Maturity of over 1 year	53 693 000	48 356 885	482 559	48 839 444	258 954
Spain					
Maturity of over 1 year	461 838 000	493 084 130	6 692 672	499 776 802	(28 223 297)
Italy					
Maturity of over 1 year	574 000 000	577 656 557	4 490 683	582 147 240	(62 697 963)
	1 094 268 256	**1 124 225 858**	**11 728 796**	**1 135 954 654**	**(90 662 306)**

2016

	Nominal value	**List value**	**Accumulated interest**	**Balance Sheet value**	**Fair value reserve**
Financial assets held for trading					
Portugal					
Maturity of over 1 year	3,929,121	3,928,211	36,828	3,957,335	-
Greece					
Maturity of over 1 year	67,368	29,828	1,114	30,942	-
Financial assets available for sale					
Portugal					
Maturity of over 1 year	415,250,000	397,659,525	8,495,105	393,848,499	46,356,057
Spain					
Maturity of over 1 year	178,838,000	205,907,463	3,663,645	209,571,107	20,392,200
Italy					
Maturity of over 1 year	333,500,000	351,648,950	2,799,183	354,448,133	49,921,888
	931,584,489	**959,173,977**	**14,995,875**	**961,856,016**	**116,670,145**

Operational Risk

Operating risk is part of the Group's day to day business and may arise as a result of inadequate procedures or systems, human risk or external events.

Given the nature of its business, the Group is exposed to potential losses or reputational risk as a result of human error, system breakdown, processing failures, unexpected interruptions in activity or stoppages or shortages in terms of third party supplies or provision of services.

To monitor the risks and the effective fulfilment of the procedures throughout the Group, there is a control structure which supervises the appropriateness of the procedures, systems and human resources in order to ensure the normal development of the activity in any circumstances.

The objective of this structure is to ensure that the Group adheres to the established procedures and limits, so that the cost inherent to operational errors can be kept within controlled levels, vis-à-vis the Group's capital and its strategy. Alongside this structure, a culture of risk detection and mitigation is nurtured in the Group, which encourages the proactive resolution of problems based on their early identification.

The Group has a project in hand to reformulate the Operational Risk Measurement and Management System, in line with the indications of the Basel Accord.

Capital and solvency ratio management

Equity funds for the years ended on 31 December 2017 and 2016 are presented as follows:

		2017	2016
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		168,181,110	157,359,955
Results and reserves formed from retained earnings		152,470,303	102,011,285
Other temporary adjustments		12,864,342	35,174,525
Intangible assets		(2,393,851)	(3,594,427)
Adjustments due to prudential filters		(1,331,592)	-
Common Equity Tier 1 Capital	(A1)	329,790,312	290,951,338
Tier 1 Capital	(A2)	329,790,312	290,951,338
Total Equity Funds	(A3)	329,790,312	290,951,338
B - Risk weighted assets	(B)	731,483,271	921,343,930
C - Prudential Ratios			
Tier 1 common capital ratio	(A1 / B)	45.1%	31.6%
Tier 1 Capital ratio	(A2 / B)	45.1%	31.6%
Total capital ratio	(A3 / B)	45.1%	31.6%

The movement of equity funds for the years ended on 31 December 2017 and 2016 is presented as follows:

	2017	2016
Opening Balance	**290,951,338**	**312,743,080**
Ordinary paid-up capital, issue premiums, treasury stock and other	10,821,155	-
Results and reserves formed from retained earnings	50,459,018	9,820,373
Other temporary adjustments	(22,310,183)	(32,223,119)
Intangible assets	1,200,576	611,004
Adjustments due to prudential filters	(1,331,592)	-
Closing Balance	**329,790,312**	**290,951,338**

Other Risks and their measurement:

Reputational Risk
In terms of Reputation Risk, understood as the probability of the occurrence of a negative impact on results or on capital arising from a negative perception of the public image of the institution, founded or not, by the different stakeholders, the press or by public opinion in general, the Group conceived stress tests which allow for the existence of quite negative news relating to the Group, with consequences in terms of the partial or total withdrawal of deposits by clients on the same day or within the period of one week, taking into account the interest which might arise from these withdrawals.

Correlation Risk
The different types of risk, liquidity, reputation, credit, counterparty, market concentration, interest rate, market, etc., are correlated between each other. This correlation is evidently clearer in some pairs of risks while having no particular relevance in other risk pairs.

- Liquidity risk *versus* Reputation risk:
  The decline in the reputation of a financial institution can lead to a lack of trust of clients and of investors in general. Such a situation can lead to the liquidity risk for the institution with regard to its immediate liabilities.

- Liquidity risk versus Reputation risk versus Market risk:
  In the above case the reputation risk versus liquidity risk is analysed. We can nevertheless assume that there is an unusual variation in the different financial instruments in the market.

- Liquidity risk versus Reputation risk versus Credit risk:
  In this case, as in the previous point, the Group allows for scenarios where there is Reputation risk and Liquidity risk. In addition, we can also consider a scenario of the probability of default of the assets, as well as the impact of downgrades in their rating.

Liquidity risk *versus* Reputation risk *versus* Market risk:
(30% drop in the stock market and a 100 b.p. decline to the interest rate curve)

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2017, the impact of which is described below.

Scenario 1 – 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 157,734,483 Euros.
Liabilities: 162,802,853 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 5,068,370 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. decline to the interest rate curve), the Group would have a maximum loss of 16,342,020 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 157,734,483 Euros.
Liabilities: 244,204,280 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 86,469,797 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. decline to the interest rate curve), the Group would have a maximum loss of 16,342,020 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 157,734,483 Euros.
Liabilities: 517,896,985 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 360,162,502 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. decline to the interest rate curve), the Group would have a maximum loss of 16,342,020 Euros.

Liquidity risk *versus* Reputation risk *versus* Credit risk:
Scenario of *downgrades* of debt securities:

- Aaa – Aa2: the rating is maintained

- Aa3 – A3: a drop of 2 notches in the rating

- Baa1 and lower ratings: a drop of 4 notches in the rating

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2017, the impact of which is described below:

Scenario 1 – 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 157,734,483 Euros.
Liabilities: 162,802,853 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 5,068,370 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group would have a maximum loss of 28,579,198 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 157,734,483 Euros.
Liabilities: 244,204,280 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 86,469,797 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group estimates a potential loss of 28,579,198 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 157,734,483 Euros.
Liabilities: 517,896,985 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 360,162,502 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group estimates a potential loss of 28,579,198 Euros.

NOTE 40
MEASUREMENT OF THE IMPAIRMENT OF THE CREDIT PORTFOLIO

Qualitative disclosures

A. Credit risk management policy

The Group is in the risk management business to create value for shareholders. In general terms, the Group is exposed to risk as a direct result of the assumption of positions with respect to particular markets or combinations of markets, products or Clients.

In the management of its exposure to risks, the Group is guided by the following basic principles:

- Frequent review of policies and procedures by the Board of Directors;
- Formal definition of responsibility for risk management in the Group;
- Existence of policies and procedures that permit independent supervision;
- Appropriate policy of risk diversification;
- Independent reporting systems;
- Overlapping of systems to measure and control the risk;
- Training to support the identification of risks in the various areas.

Credit Risk Management in the Group is an integrated process both in terms of transactions and in terms of portfolios.
In terms of transactions: It means that all transactions need the approval of at least two representatives with credit authority, granted by the Board of Directors and by the senior members of the Credit Risk Management Committee.
In terms of portfolios: It means that the exposure will be managed – whether of loans, securities, derivatives, currency exchange, etc. – so as to minimise excessive concentrations of risk relating to clients, industries, products or geographic location. Problematic loans, rates of cover by provisions, write-offs and recoveries are also analysed. There are various credit reporting procedures in force and available internally for the information of the Group's Board of Directors.

Credit risk is managed in order to make the organization's performance sustainable within acceptable parameters of risk versus return. This aim is achieved through a combination of policies, systems and controls, backed by well-analyzed and cautious commercial decisions, due to a variety of reasons, such as:

- Limitations on capital and funds of the Group;
- Non-strategic nature of many of the non-collateralised loans;
- Limited resources to analyse and control exposures not guaranteed with the desired competence;
- Lack of scale/dimension.

An effort is constantly made to limit exposure to credit risk, essentially to the following:

- Investment grade companies and sovereign credit with ratings or banks that are easily analysable, supported by internal analyses and/or by Moody's (or other independent research);

- FX or settlement exposures associated to companies, institutional investors and private investors, and this latter group frequently without the benefit of an adequate evaluation or appropriate control over the exposure to the risk but with limits approved on a case-by-case basis;
- Exposure to occasional credit risk analysed in detail by internal analysts;
- Standard collateralized loans.

In the taking of decisions and risk management in the organization, management applies its strategy of using a business model in combination with a number of quantitative tools and systems used to monitor and measure exposure. These include:

- Non-statistical measurements, such as scenario analyses, stress and sensitivity tests;
- Limits per counterparty, family, class of assets or portfolio;
- Limits of concentration;
- Qualitative analysis and procedures.

B. Credit Write-Off Policy

When a loan is considered to be definitively uncollectable (e.g. by a court decision) or the Group decides to forgive the debt or cede its rights on the loan to third parties, this is written off, as mentioned above. Loans are only proposed for write-off when all the steps of the procedure have been taken and there is no expectation of recovering the whole of the outstanding debt.

Loans written off from assets are recorded in off-balance sheet captions when they are derecognised in the Balance Sheet. The entries in off-balance sheet captions remain until the liabilities of each credit operation are definitively eliminated, either by payment or by formal cessation of the right to receive within the legal and contractual terms applicable (for example: forgiving the debt, court sentence or definitive cession of past due loans), notwithstanding that all off-balance sheet records may be kept relating to clients with credit operations recorded in the Balance Sheet.

Loans written off from assets and recorded in off-balance sheet captions are maintained at the amount to which the institution is entitled, within the legal and contractual terms applicable, regardless of expectations of collecting the payment.

The accounting records in off-balance sheet captions relating to loans written off from assets are adequately supported to permit the systematic reconciliation of their components aggregated with outgoing movements due to the writing off of loans from assets.

C. Impairment reversal policy

On each reporting date the Group assesses if there is an indication that an impairment loss recognised in previous periods relating to an asset may no longer exist or may have reduced. If there is such an indication, the Group estimates the recoverable amount of this asset.

An impairment loss of an asset, recognised in previous periods should be reversed if, and only if, there is an alteration in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. A reversal of an impairment loss from a cash generating unit is imputed to the assets of the unit *pro rata* in relation to the book amounts of these assets. The increased book amount of an asset, attributable to a reversal of an impairment loss should not exceed the book amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognised in the asset in previous years.

A reversal of an impairment loss of an asset is recognised immediately in profits or losses.

D. Policy of converting debt into capital of the debtor

The Group does not normally use this type of solution and has no exposure to any economic group that has undergone this form of credit restructuring.

E. Description of the restructuring measures applied and respective risks associated, as well as the control and monitoring mechanisms of them

When, due to the financial difficulties of a given client, the Group agrees to change the contract conditions of existing credit operations (namely, extension of the repayment period, introduction of grace periods, capitalization of interest, reduction in interest rates, forgiving the interest or capital) or contracts new credit facilities for the settlement (total or partial) of existing debt, these credit operations should be identified and marked as restructured credit due to financial difficulties of the client, and impairment should be calculated on these loans. A client is in situation of financial difficulty when s/he has not complied with some of their financial obligations with the Group or if it is foreseeable, in view of the information available, that this may occur, taking into consideration, among other things, the indices of impairment.

F. Description of the collateral valuation and management process

Valuation of collateral

For the purpose of the quantitative analysis, the following valuation criteria are used.
i) Financial: performed automatically by the systems using market prices and weightings that are revised periodically by the Board of Directors

- Every month the financial assets used as collateral are analysed with regard to their Liquidity, Volatility and stock market capitalisation (if applicable);
- Every week automatically, taking only the 30 day volatility of securities traded on regulated markets into account, a weighting (calculated by the system) is automatically attributed to all the assets held as collateral over which the client can leverage the credit (80%, 70% and 50%)

ii) Buildings: the value of the last formal valuation of the building, performed by an independent entity, is used. Furthermore, a correction factor is applied to this value, according to the scale below:

- Up to 6 months: 0%
- 6 months: 5%
- From 7 to 12 months: 10%
- From 12 to 24 months: 15%
- From 24 to 36 months: 25%
- More than 36 months: 50%

The determination of the recoverable amount is based on the evaluation (with or without the correction factor) plus a time discount factor.
When a loan operation collateralised by a building shows signs that justify it, the collateral is reassessed by an external assessor.

iii) Motor vehicles: Eurotax or, alternatively, the largest Portuguese database of used car sales, the site www.standvirtual.com, is consulted. In the case of the latter, a corrective factor of 20% is applied to the average value calculated for vehicles similar to those of the operation in question, to cater for the devaluation that traders make in their offers, as the site only publishes the sales values to the end consumer. If it is not possible to find the make / model of the vehicle of the operation in question, Specialised Credit proposes the best estimate (realistic and conservative) that it can make.

iv) Other collateral: analysed on a case-by-case basis.

Weightings and other corrective factors are periodically revised, at least once a year, taking history, economic prospects and the published indicators of the competitors into account, according to the type of product.

G. Nature of the main judgements, estimates and hypotheses used in the determination of impairment

The Group assesses the impairment of its credit portfolio based on specific signs of impairment, which do not depend on complex assumptions. The Group regularly assesses if there are objective signs of impairment in its credit portfolio. Impairment losses identified are charged against income and the charge is subsequently reversed if the amount of the estimated impairment loss is reduced in a later period.

The different business generating areas involved in this process do not perform the calculation, revision and approval of impairment losses, therefore retaining the independence that is absolutely necessary in this type of analysis.

H. Description of the impairment calculation methods, including the way in which portfolios are segmented to reflect the different characteristics of the loans

Definition of impaired credit

A loan or loan portfolio, defined as a group of loans with similar risk characteristics, granted to clients may be classified as impaired: (i) when there is objective evidence of impairment resulting from one or more events that occurred after their initial recognition and (ii) when this event (or events) has an impact on the recoverable amount of the future cash flows of this loan or loan portfolio, which can be reasonably estimated.

Pursuant to the requisites of IAS 39 “Financial instruments: Recognition and Measurement,” each month the Group assesses if an exposure or group of exposures shows objective evidence of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows. For this evaluation and in the identification of loans with impairment on an individual basis, the passive evidence / signs detailed below in point I. ii) are considered.

Process of identifying impaired credit

On each reporting date along with the monthly credit meeting, the Group assesses if there is any indication that an asset (or group of assets) may be impaired. If such an indication exists, the Group should estimate the recoverable amount of the asset.
Initially, the Group evaluates if there exists objective evidence of impairment individually for each loan. For this evaluation and in the identification of loans with impairment on an individual basis, the Group uses the information input in the credit risk models implemented and considers the following factors, amongst others:

- the aggregate exposure to the client and if there are any overdue loans;
- the economic-financial viability of the client's business or professional activity and its capacity to generate sufficient cash flow to service its debt obligations in the future;
- the existence, nature and the estimated value of the collateral associated to each loan;
- if there are privileged creditors;
- the client's level of indebtedness in the financial sector;
- the amount and timing of estimated recovery.

If for a given loan there is no objective evidence of impairment on an individual basis, this loan is included in a group of loans with similar credit risk characteristics (credit portfolio), which is evaluated collectively, applying previously defined and approved percentages of impairment. Loans which are evaluated individually and for which an impairment loss is identified are not included in this evaluation.

In the individual analysis, when a loan stands out, namely due to its amount or type of collateral, a more detailed individual analysis is made, to gauge if there is impairment of the loan and to assess the quality of the collateral.

If an impairment loss is identified on an individual basis, the amount of the loss to be recognised corresponds to the difference between the accounting value of the loan and the actual value of the estimated future cash flow (considering the recovery period) discounted at the effective original interest rate of the contract. The loan is presented in the Balance Sheet net of the impairment.

The process of evaluation of the credit portfolio in order to determine if an impairment loss should be recognised is subject to diverse estimates and judgements. This process includes factors such as the frequency of non-fulfilment, risk notations, rates of recovery of losses and estimates both of future cash flow and of the time of their receipt. Alternative methodologies and the use of other assumptions and estimates may result in different levels of impairment losses recognised, with the consequent impact on the results of the Group.

Credit categories / Segmentation of BiG's credit portfolio

For the purpose of the analysis of the impairment of credit operations, the exposure in the Group's retail credit portfolio is segmented into categories so that periodic analyses can be made of the portfolio.

The criteria underlying this grouping are:

- The loans have the same purpose;
- The target clients of the product are the same;
- The collateral of the loan is the same or similar;
- The treatment and accounting of the product is uniform;
- There are more than 25 clients in the portfolio ("active loans").

In accordance with range of credit products in BiG's portfolio, these are segmented, for the analysis of impairment, into the following groups:

- Margin Account;
- BiG Auto;
- Mortgages;
- Other.

I. Indication of the signs of impairment by credit segments

The assessment of whether a given exposure or group of exposures show objective signs of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows, is made adopting conservative indications of impairment, appropriate to each credit segment, namely:

i) Active evidence / signs

- The client has an unauthorised overdraft or unpaid instalments/loans;
- Other amounts receivable (e.g. billing) that are not paid on the due date;

ii) Passive evidence / signs

- The client has an unauthorised overdraft or has outstanding lines/loans;
- Other amounts receivable (e.g. billing) unpaid on the due date;
- The client is on the LUR (the Bank of Portugal's User Risk List) – Cheques;

- The client has incidents with other banks – Overdue Loans, Retraded or Written-down from Assets – in the CRC (the Bank of Portugal's Credit Liabilities Centre);
- The client has been subjected to any kind of legal lien;
- The client owes money to the ATA (Customs and Excise Authority);
- The client owes money to the Social Security;
- There is a history of credit default in BiG;
- There is a history of unauthorised demand deposit overdrafts in BiG;
- The client becomes unemployed or the Employer declares bankruptcy or layoffs;
- The client's spouse becomes unemployed or their Employer declares bankruptcy or layoffs;
- The client or spouse loses part of their monthly income;
- Loans restructured due to financial difficulties of the client;
- The client or spouse are included in any risk list outside of BiG;
- The client expects to go insolvent or be subject to recovery programs;
- Delivery of assets in lieu of payment;
- Violation of any contract signed with the Group.

J. Indication of the thresholds defined for individual analysis

For the purpose of the identification of individually significant exposures (which will obligatorily be analysed on an individual basis), the Group sets thresholds that should be considered. These are, among other things, exposures collateralised by non-liquid assets which represent a relevant percentage of the retail credit portfolio or of BiG's own funds. Nevertheless, even if a given exposure does not come within these criteria, and bearing in mind the Group's conservative position in relation to the credit risk, this may be subject to individual analysis for impairment.

K. Policy relating to the degrees of internal risk, specifying the treatment given to a borrower classified as in default

The Group does not use internal credit ratings in the treatment of irregular credit.

The internal treatment of a client classified as in default should contemplate taking all the operational measures that appear necessary, namely the inhibition of (i) movements in accounts and means of moving accounts, (ii) transfers of amounts outside of the Group, (iii) attempts to reduce or remove collateral and (iv) increases in exposure by the borrower.

As necessary, still in relation to this internal analysis, the legal mechanisms that ensure the execution of guarantees or the filing of enforcement proceedings will be triggered. This action will be coordinated by the Compliance Department, together with the firm of lawyers that assists the Group in legal matters.

The actions described above should also take into consideration (i) knowledge of the client, (ii) awareness of the product, (iii) the necessary understanding of standards, regulations, procedures, timings of reporting to the supervisory bodies and (iv) the need to adjust the Group's internal accounts and reports.

L. Generic description of the calculation of the current value of future cash flows in the calculation of the impairment losses assessed individually and collectively

On an individual basis, the method of calculation adopted by the Group to determine the impairment of credit is the discounted cash flow (DCF) method or rather, that of calculating the PV (Present Value) of the cash-flows due at the time of the analysis, discounted at a given interest rate. This PV is then compared with the exposure value and, if the difference is negative, there will then be impairment for an amount which should be duly accounted.

For impairment calculated on a collective basis, the Group determines the net value of each exposure (amount of the loan – amount of collateral). This collateral amount is adjusted by "haircuts", in accordance with the rules defined in the point called "Valuation of collateral". For the purpose of collective analysis, only in operations with financial guarantees (Margin Account) or real guarantees (Mortgages) is the respective collateral valued, while in other operations collateral is assumed to be equal to 0 (zero), even in the case of the leasing of motor vehicles where the property belongs to the Group.

A coefficient of 1.5% is applied to the net value of the exposure, except in Margin Account and Overdraft products, where 1% is applied.

In the case of the DCF method, the interest rate used in the calculation of impairment is determined in accordance with the following rules:

- fixed rate contracts: initial fixed rate
- variable rate contracts: current interest rate, resulting from the contract clauses (e.g. indexed to the Euribor)

Note: if the interest rate cannot be determined (e.g. for billing/ amounts receivable), the rate offered in BiG's "SuperDepósito" in force on the date of the analysis is used.

When the exposures are guaranteed by collateral, the Group takes into consideration the expected value of the collateral as well as the expectations of recovery, and the recovery and sale costs.

M. Description of the emergent period used for the different segments and justification of its appropriateness

The Group does not have an emergent period given that it does not have a model of collective impairment that considers this parameter.

N. Detailed description of the cost associated to the credit risk, including disclosure of the PD, EAD, LGD and cure rates

The Group has compiled historical data with which it is developing and calculating PD's and LGD's.

O. Conclusions concerning analyses of the sensitivity to the amount of impairment and alterations to the main assumptions

The Group assesses the impairment of its credit portfolio based on specific signs of impairment, which nevertheless do not depend on complex assumptions and so sensitivity analyses are not performed on the assumptions used.

Quantitative disclosures

a) Breakdown of exposures and impairment:

a.1)

	Exposure 2017				Impairment 2017		
Segmento	**Total Exposure**	**Performing Loans**	**Of which: restructured**	**Non-Performing Loans**	**Total Impairment**	**Performing Loans**	**Non-Performing Loans**
Current Account Credit	12,577,401	12,577,173	-	228	16,107	15,879	228
Mortgages	6,091,150	6,091,150	-	-	47,022	47,022	-
Other	21,391,820	21,243,609	4,743	148,211	185,153	37,056	148,097
	40,060,371	**39,911,932**	**4,743**	**148,439**	**248,282**	**99,957**	**148,325**

	Exposure 2016				Impairment 2016		
Segmento	**Total Exposure**	**Performing Loans**	**Of which: restructured**	**Non-Performing Loans**	**Total Impairment**	**Performing Loans**	**Non-Performing Loans**
Current Account Credit	10,252,033	10,251,813	-	220	12,885	12,665	220
Mortgages	6,095,540	6,095,540	-	-	48,972	48,972	-
Other	15,672,897	15,520,634	-	152,263	181,157	32,011	149,146
	32,020,470	**31,867,987**	**-**	**152,483**	**243,014**	**93,648**	**149,366**

a.2)

		Total Exposure 2017					Total Impairment 2017	
		Performing Loans		Non-Performing Loans			Performing Loans	Non-Performing Loans
		Days late < 30						
Segment	**Total Exposure 2017**	**Without evidence**	**With evidence**	**Days late <= 90***	**Days late > 90**	**Total Impairment 2016**	**Days late < 30**	**Days late > 90**
Current Account Credit	12,577,401	9,763,651	2,813,522	-	228	16,107	15,879	228
Mortgages	6,091,150	6,049,656	41,494	-	-	47,022	47,022	-
Other	21,391,820	20,974,357	269,252	34	148,177	185,153	37,056	148,097
	40,060,371	**36,787,664**	**3,124,268**	**34**	**148,405**	**248,282**	**99,957**	**148,325**

* Loan with payment of capital or interest overdue by more than 90 days, but about which there is evidence that justifies its classification as credit in risk of default

Segment	Total Exposure 2017	Total Exposure 2016 – Performing Loans – Days late < 30 – Without evidence	With evidence	Non-Performing Loans – Days late <= 90*	Days late > 90	Total Impairment 2016	Total Impairment 2016 – Performing Loans – Days late < 30	Non-Performing Loans – Days late > 90
Current Account Credit	10,252,033	8,729,673	1,522,140	-	220	12,885	12,665	220
Mortgages	6,095,540	5,995,487	100,053	-	-	48,972	48,972	-
Other	15,672,897	15,192,232	323,265	1,478	150,784	181,157	31,922	148,668
	32,020,470	**29,917,392**	**1,945,458**	**1,478**	**151,004**	**243,014**	**93,559**	**148,888**

* Loan with payment of capital or interest overdue by more than 90 days, but about which there is evidence that justifies its classification as credit in risk of default

b) Breakdown of the credit portfolio by segment and by year of production:

	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up
2005 and previous	42	2,671,553	3,366	14	507,880	3,921	2	51,923	53
2006	10	142,775	180	-	-	-	-	-	-
2007	20	460,680	582	5	299,996	2,316	2	75,387	77
2008	12	82,548	104	13	681,500	5,261	1	22,725	23
2009	19	696,890	878	5	436,575	3,370	-	-	-
2010	15	295,264	373	3	267,077	2,062	3	127,017	125,904
2011	17	1,444,736	1,824	10	588,523	4,543	2	16,347	17
2012	11	803,079	1,015	2	134,263	1,037	5	25,265	148
2013	15	511,347	646	6	442,143	3,413	16	180,290	12,554
2014	31	852,209	1,302	8	452,174	3,491	33	298,387	6,315
2015	16	3,065,382	3,876	6	803,661	6,204	46	295,548	2,746
2016	12	400,299	506	9	516,130	3,984	96	13,477,649	22,945
2017	23	1,150,639	1,455	9	961,228	7,420	1,844	6,821,282	14,371
	243	**12,577,401**	**16,107**	**90**	**6,091,150**	**47,022**	**2,050**	**21,391,820**	**185,153**

	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up
2005 and previous	56	1,657,537	1,877	15	626,392	5,034	9	68,438	77
2006	10	298,970	338	-	-	-	-	-	-
2007	28	369,951	420	6	372,257	2,980	7	24,424	28
2008	20	134,205	152	13	720,845	5,793	8	25,933	31
2009	20	556,668	632	5	469,131	3,770	2	6	-
2010	19	186,466	211	3	276,612	2,223	9	212,556	1,994
2011	22	1,206,949	2,412	13	817,170	6,567	10	22,647	32
2012	11	280,092	317	4	180,875	1,453	9	44,998	147
2013	16	250,319	284	6	506,653	4,071	26	304,208	1,878
2014	32	1,058,352	1,210	7	575,885	4,628	43	509,125	2,697
2015	27	3,113,576	3,522	8	985,194	7,917	50	498,274	2,219
2016	21	1,138,947	1,510	10	564,526	4,536	1,542	13,962,288	171,982
	282	**10,252,032**	**12,885**	**90**	**6,095,540**	**48,972**	**1,715**	**15,672,897**	**181,085**

c) Breakdown of gross exposure to credit and impairment assessed individually and collectively, by segment, sector and geography.

c.1) By segment:

2017	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Collective	12,577,401	16,107	6,091,150	47,022	21,391,820	185,153	40,060,371	248,282

2016	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Collective	10,252,033	12,885	6,095,540	48,972	15,672,897	181,157	32,020,470	243,014

c.2) By sector of activity: The breakdown by sector does not apply to BiG's retail portfolio as this concentrates on private individuals.

c.3) By geography: The breakdown by geography does not apply to BiG's retail portfolio as this is concentrated on Portugal.

d) Breakdown of the portfolio of restructured credit by restructuring measure applied

In the course of 2017, there was no restructuring of credit operations.

2016	Performing Loans			Total		
Measure	Number of Transactions	Exposure	Impairment	Number of Transactions	Exposure	Impairment
Length of Period	1	6,526	7	1	6,526	7

e) Inward and outward movements in the restructured credit portfolio:

	2017	2016
Opening balance of restructured loans portfolio (gross of impairment)	**6,526**	**9,328**
Credit restructured in the period	-	-
Payment of restructured loans (partial or total)	1,783	2,802
Closing balance of restructured loans portfolio (gross of impairment)	**4,743**	**6,526**

f) Breakdown of the fair value of the collateral underlying the credit portfolio by segments:

2017	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	228	16,046,654	83	12,751,929	3	30,000	15	2,368,325	328	6,109,642
>= 0,5 M€ e < 1 M€	6	4,850,426	2	1,312,000	-	-	-	-	6	5,037,607
>= 1 M€ e < 5 M€	4	5,828,085	2	2,696,000	-	-	2	5,386,500	3	6,125,000
>= 10 M€ e < 20 M€	1	10,475,173	-	-	-	-	-	-	-	-
	239	**37,200,338**	**87**	**16,759,929**	**3**	**30,000**	**17**	**7,754,825**	**337**	**17,272,249**

2016	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	272	8.459.412	82	11.844.761	1	35.000	16	2.706.864	199	3.341.000
>= 0,5 M€ e < 1 M€	5	3.160.934	2	1.287.000	-	-	-	-	3	2.631.000
>= 1 M€ e < 5 M€	1	4.027.356	2	2.696.000	-	-	1	1.652.000	3	6.125.000
	278	**15.647.702**	**86**	**15.827.761**	**1**	**35.000**	**17**	**4.358.864**	**205**	**12.097.000**

* Examples: Shares, bonds and deposits (at market prices)

g) LTV ratio of the Housing and Other segments:

2017	Number of buildings	Performing Loans	Impairment
Current Account Credit			
< 60%	47	2,953,697	22,802
>= 60% and < 80%	26	2,501,075	19,308
>= 80% and < 100%	12	491,676	3,796
>= 100%	2	126,831	979
Other			
No collateral	1	41,170	42
< 60%	11	1,080,632	9,941
>= 60% and < 80%	5	293,352	842
>= 80% and < 100%	1	4,077	4
	105	**7,492,510**	**57,714**

2016	Number of buildings	Performing Loans	Impairment
Current Account Credit			
< 60%	2	115,000	1,172
Mortgages			
< 60%	44	2,939,364	23,621
>= 60% and < 80%	24	2,244,542	18,026
>= 80% and < 100%	17	805,584	6,474
>= 100%	1	78,373	630
Other			
< 60%	12	1,207,478	11,130
>= 60% and < 80%	3	211,722	244
>= 80% and < 100%	2	17,020	20
	105	**7,619,083**	**61,317**

h) Breakdown of the fair value and of the net book value of the buildings received as payment in kind, by type of asset and by age:

On 31 December 2016 the caption “Non-current assets held for sale” had a balance of 26,480 Euros relating to a building available for immediate sale. This building was acquired in July 2016 under the adjudication of insolvency proceedings of a client and was sold in the course of 2017.

On 31 December 2014 the caption “Non-current assets held for sale” had a balance of 45,500 Euros relating to buildings available for immediate sale, resulting from lawsuits. For these assets the Group recorded impairment losses amounting to 25,500 Euros. This building was sold during 2015. On 31 December 2015 the Group did not have any building received as payment in kind in its portfolio.

i) Distribution of the credit portfolio by degrees of internal risk:

The Group does not use internal credit ratings.

j) Disclosure of the risk parameters associated to the model of impairment by segments:

The Group does not use risk parameters, e.g. PD and LGD, in the impairment model.

NOTE 41
CHARGING ON ASSETS

On 31 December 2017 and 2016 charges on assets may be analysed as follows:

2016	**Book value of pledged assets**	**Fair value of pledged assets**	**Book value of unencumbered assets**	**Fair value of unencumbered assets**
Equity instruments	-	-	19,817,229	19,817,229
Debt securities	426,215,880	426,215,880	884,248,018	887,219,599
Other assets	700,000	-	520,240,945	-
	426,915,880		**1,424,306,192**	

2016	**Book value of pledged assets**	**Fair value of pledged assets**	**Book value of unencumbered assets**	**Fair value of unencumbered assets**
Equity instruments	-	-	3,182,956	3,182,956
Debt securities	351,387,600	351,387,600	1,144,873,021	1,156,771,724
Other assets	500,000	-	259,086,772	-
	351,887,600		**1,407,142,749**	

On 31 December 2017 the amount of liabilities associated to charged assets was 286,118,306 Euros (31 December 2016: 274,236,949 Euros).

NOTE 42
RECENTLY ISSUED STANDARDS

IFRS Disclosures – New standards on 31 December 2017:

1. Impact of the adoption of the alterations to the standards that became effective on 1 January 2017:

a) IAS 7 (amendment), 'Amendment to the disclosures' (to be applied in years that start on or after 1 January 2017). This amendment introduces an additional disclosure about the changes in liabilities arising from financing activities, disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash Flow Statement.

b) IAS 12 (amendment)**,** 'Income tax – Recognition of deferred tax assets on potential losses' (to be applied in years that start on or after 1 January 2017). This amendment is still subject to the process of endorsement by the European Union. This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law. The amendments to standard IAS 12 have no impact on the Group's financial statements.

2. Standards (new and amendments) published, application of which is obligatory for annual periods that start on or after 1 January 2018, which the European Union has already endorsed:

a) IFRS 9 (new), 'Financial instruments' (to be applied in years that start on or after 1 January 2018). IFRS 9 replaces the requisites of IAS 39, in relation: (i) to the classification and measurement of financial assets and liabilities; (ii) to the recognition of impairment on credit receivable (through the expected credit loss model); and (iii) to the requisites for the recognition and classification of hedge accounting. The impacts and respective transition adjustments are disclosed in the Note relating to IFRS 9.

b) IFRS 15 (new), 'Revenue from Contracts with Customers' (to be applied in years that start on or after 1 January 2018). This new standard applies only to contracts for the delivery of products or provision of services and requires an entity to recognise revenue when the contractual obligation to deliver assets or provide services is satisfied and for the amount that reflects the counter-provision to which the entity is entitled, as contemplated in the "5 step methodology".

c) IFRS 16 (new), 'Leasing (to be applied in years that start on or after 1 January 2019). This new standard replaces IAS 17, with a significant impact on the accounting of lessees who are now obliged to recognise a leasing liability reflecting future payments of the lease and a right-of-use asset for all leasing contracts, except certain short-term leasing and low-value assets. The definition of a leasing contract also was altered, being based on the "right to control the use of an identified asset".

d) Amendments to IFRS 15, 'Revenue from Contracts with Customers' (to be applied in years that start on or after 1 January 2018). These amendments refer to the additional indications to be followed to determine the obligations of the performance of a contract, at the time of the recognition of the revenue from an intellectual property licence, to the revision of the indicators for the classification of the principal versus agent relationship, and to the new regimes contemplated to simplify the transition.

3. Standards (new and amendments) and interpretations published, application of which is obligatory for annual periods that start on or after 1 January 2017, but which the European Union has not yet endorsed:

3.1 – Standards

***a)* Improvements to standards 2014 – 2016** (to be applied, in general, in the years that start on or after 1 January 2017). This cycle of improvements affects the following standards:

IFRS 1, 'First adoption of IFRS1' (to be applied in years that start on or after 1 January 2018). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement eliminates the temporary exemptions from IFRS 7, IFRS 10 and IAS 19, as they are no longer applicable.

IFRS 12, 'Disclosure of interests in other entities' (to be applied in years that start on or after 1 January 2017). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement aims to clarify that its scope includes investments classified within the scope of IFRS 5, and that the only exemption refers to the disclosure of the summary of the financial information of these entities.

b) IAS 40 (amendment) 'Transfer of investment properties' (to be applied in years that start on or after 1 January 2018). This amendment is still subject to the process of endorsement by the European Union. This amendment clarifies that assets can only be transferred from and to the category of investment properties when there is evidence of an alteration of use. Only an alteration of the intention of the management is not sufficient to make the transfer. The Group is assessing the impacts of the implementation of this standard.

c) IFRS 2 (amendment), 'Classification and measurement of transactions of share-based payments' (to be applied in years that start on or after 1 January 2018). This amendment is still subject to the process of endorsement by the European Union. This amendment clarifies the measurement basis for cash settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group is assessing the impacts of the implementation of this standard.

d) IFRS 9 (amendment), 'Prepayment features with negative compensation' (to be applied in years that start on or after 1 January 2019). This amendment is still subject to the process of endorsement by the European Union. This amendment introduces the possibility of allowing financial assets with prepayment conditions with negative compensation to qualify for amortised cost, provided that specific conditions are met, instead of being classified at fair value through the income statement. The Group is assessing the impacts of the implementation of this standard.

***e)* Improvements to standards 2015 – 2017** (to be applied in years that start on or after 1 January 2019). This cycle of improvements is still subject to the process of endorsement by the European Union. This cycle of improvements affects the following standards:

IAS 23, 'Costs of loans obtained' (to be applied in years that start on or after 1 January 2019). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement clarifies that specific loans obtained that are still ongoing, after the qualifiable assets to which they relate are in a position of use or sale, should be added to the generic loans in order to calculate the average capitalization rate in the other qualifiable assets. The Group is assessing the impacts of the implementation of this standard.

IAS 12, 'Income tax' (to be applied in years that start on or after 1 January 2019). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement clarifies that the fiscal impacts of dividends are recognised on the date on which the entity registers the liability for the payment of dividends, which are recognised in the result of the year, in other comprehensive income or in capital, according to the transaction or event that gave rise to the dividends. The Group is assessing the impacts of the implementation of this standard.

IFRS 3, 'Concentrations of business activities' and IFRS 11, 'Joint agreements'' (to be applied in years that start on or after 1 January 2019). This cycle of improvements is still subject to the process of endorsement by the European Union. These improvements clarify that: i) on obtaining of control over a business that is a joint operation, the interests previously held by the investor are restated at fair value; and ii) when an investor in a joint operation, who does not exercise joint control, obtains joint control in a joint operation which is a business, the interest held previously is not restated. The Group is assessing the impacts of the implementation of this standard.

3.2 – Interpretations

a) IFRIC 22 (new), 'Foreign Currency Transactions and Advance Consideration' (to be applied in years that start on or after 1 January 2018). This interpretation is still subject to the process of endorsement by the European Union. This is an interpretation of IAS 21 'The Effects of Changes in Foreign Exchange Rates' and refers to the determination of the "date of the transaction" when an entity pays or receives advance consideration for contracts denominated in foreign currency. The "date of the transaction" determines the exchange rate to be used for converting the transactions into foreign currency.

b) IFRIC 23 (new), 'Uncertainty over the treatment of Income tax' (to be applied in years that start on or after 1 January 2019). This interpretation is still subject to the process of endorsement by the European Union. This is an interpretation of IAS 12 – 'Income tax', referring to the requisites of measurement and recognition to be applied when there are uncertainties regarding the acceptance of a given fiscal treatment by the Tax Authorities in relation to Income Tax. In the event of uncertainty regarding the position of the Tax Authorities on a specific transaction, the entity should make its best estimate and enter the income tax assets or liabilities in the light of IAS 12, and not of IAS 37 – "Provisions, contingent liabilities and contingent assets", based on the expected value or most probable value. Application of IFRIC 23 may be on a retrospective or modified retrospective basis.

Summary table of new standards:

Description	Amendment	Date of effect
	1. Amendments to the standards effective on 1 January 2017	
IAS 7 – Cash flow statement	Reconciliation of the amendments in financing liabilities with cash flows from financing activities.	1 January 2017
IAS 12– Income tax	Recognition of deferred tax assets on assets measured at fair value, the impact of deductible temporary differences on the estimate of taxable future profits and the impact of restrictions on the capacity of recovery of deferred tax assets	1 January 2017
	2. Standards (new and amendments) that become effective on or after 1 January 2018, already endorsed by the EU	
IFRS 9 – Financial instruments	New standard for the accounting treatment of financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	Recognition of revenue related with the delivery of assets and provision of services, by the application the 5 stage method.	1 January 2018
IFRS 16 – Leasing	New definition of leasing. New accounting of leasing contracts for lessees. There are no amendments to the accounting of leasing for lessors.	1 January 2019
IFRS 4 – Insurance contracts (application of IFRS 4 with IFRS 9)	Temporary exemption of the application of IFRS 9 for insurers for years that begin before 1 January 2021. Specific regime for assets under IFRS 4 that qualify as financial assets at fair value through the income statement in IFRS 9 and as financial assets at amortised cost in IAS 39, allowing the classification of the difference in measurement in Other comprehensive income	1 January 2018
Amendments to IFRS 15 – Revenue from contracts with customers	Identification of performance obligations, upon recognition of revenue from SoC licences, review of indicators for the classification of the principal versus agent relationship, and new regimes for the simplification of the transition.	1 January 2018
	3. Standards (new and amendments) and interpretations that become effective on or after 1 January 2018, not yet endorsed by the EU	
	3.1 – Standards	
Improvements to the standards 2014 – 2016	Clarifications various: IFRS 1, IFRS 12 and IAS 28	1 January 2017 and 1 January 2018
IAS 40 – Investment properties	Clarification that evidence of amendment of use is required to make transfers of assets to and from the category of investment properties	1 January 2018
IFRS 2 – Share-based payments	Measurement of share-based payment plans paid financially, accounting of modifications, and classification of share-based payment plans as paid in equity, when the employer has the obligation to withhold tax.	1 January 2018
IFRS 9 – Financial instruments	Options for the accounting treatment of financial assets with negative compensation	1 January 2019
Improvements to the standards 2015 – 2017	Various clarifications: IAS 23, IAS 12, IFRS 3 and IFRS 11	1 January 2019
	3.2 – Interpretations	
IFRIC 22 – Transactions in foreign currency and prepaid consideration	Exchange rate to be applied when the consideration is received or paid in advance	1 January 2018
IFRIC 23 – Uncertainties over the treatment of income tax	Clarification relating to the application of the principles of recognition and measurement of IAS 12 when there is uncertainty over the fiscal treatment of a transaction, by way of income tax	1 January 2019

NOTE 43
INTERNATIONAL FINANCIAL REPORTING STANDARD 9 – FINANCIAL INSTRUMENTS (IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 – Financial instruments: Recognition and Measurement, which was endorsed by the European Union on 3 November 2017. IFRS 9 introduces new requirements with regard to the (i) classification and measurement of financial assets and liabilities, (ii) measurement and recognition of impairment of credit on financial assets through a model of expected losses and (iii) hedge accounting.

IFRS 9 is of compulsory application in financial years starting on or after 1 January 2018 and these new rules are to be applied retrospectively from that date. However, the respective comparative balance sheets will not be restated.

The impact on the Group's individual financial statements arising from the adoption of this new standard were estimated by reference to 1 January 2018, based on the information available on the date and the use of a number of assumptions. Based on these estimates, it is expected that the adoption of the IFRS 9 will result in an increase in the Group's net capital situation on 1 January 2018 of approximately 24 773 thousand Euros. This impact comes mostly from the recognition of expected credit losses, and from changes in the classification of financial assets using the Group's business model, as per the summary presented in the table below:

	Estimated impact of the adoption of IFRS 9 [1]			
	Balance reported on 31-12-2017	**Classification and measurement**	**Impairment of credit**	**Balance reported on 01-01-2018**
Capital	171,947,388	-	-	171,947,388
Issue premiums	1,362,281	-	-	1,362,281
Treasury stock	(2,326)	-	-	(2,326)
Revaluation reserves	(63,827,489)	50,737,011	1,544,200	(11,546,278)
Other reserves and retained earnings	188,626,575	(25,963,597)	(1,544,200)	161,118,778
Net result of the year	52,346,618	-	-	52,346,618
Interim dividends	(10,919,818)	-	-	(10,919,818)
Total equity	**339,533,229**	**24,773,414**	**-**	**364,306,643**

[1] Gross amounts

The fiscal treatment of the impacts that arise from the adoption of IFRS 9 depends on the fiscal legislation that will be approved during 2018: however, the values presented above contemplate the best possible estimate of the fiscal situation that can be attributed to these realities, through the entry of deferred tax.

During the 2018 financial year the Group will continue to fine-tune the models that it has developed to comply with the new requisites of the IFRS 9 and will monitor any guidelines of the national and international regulators with regard to the application of this standard.

Classification and Measurement – Financial assets

IFRS 9 allows for classification of the financial assets according to three criteria:

- The business model under which the financial assets are managed;
- The type of financial instrument, or rather (i) derivative financial instruments, (ii) equity instruments or (iii) financial debt instruments; and
- The characteristics of the contractual cash flows of the financial debt instruments (which represent only payments of capital and interest).

In this context, the main categories of financial assets contemplated in the IFRS 9 are summarised as follows:

- A financial debt instrument which (i) is managed under a business model whose objective includes keeping the financial assets in the portfolio and receiving all its contractual cash flows and (2) has contractual cash flows on specific dates that correspond exclusively to the payment of capital and interest on the outstanding capital – should be measured at amortised cost, unless it is designated at fair value through profit and loss under the fair value option – "*Hold to Collect*".
- A financial debt instrument which (i) is managed under a business model whose objective is achieved either through receipt of the contractual cash flows or through the sale of the financial assets and (2) contemplate contract clauses that give rise to cash flows that correspond exclusively to the payment of capital and interest on the outstanding capital – should be measured at fair value as a counter-entry of equity ("FVTOCI"), unless the former is designated at fair value through profit and loss under the fair value option – "*Hold to Collect & Sale*".

◢ All other financial debt instruments should be measured at fair value in the income statement (“FVPL”).

The Group assessed its business models based on a broad set of indicators, some of the main ones being its Business Plan, and also the current risk management policies.

For the Hold to Collect business model, in order to assess the frequency and materiality of sales, quantitative thresholds were defined based on past experience. The sales contemplated for the financial assets classified in this business model do not exceed the thresholds defined by the Group.

With regard to other financial instruments, specifically equity instruments and derivatives, these by definition, are classified at fair value through results. For equity instruments, there is the irrevocable option of designating for all fair value variations to be recognised in other comprehensive income, and in this case, only the dividends are recognised in results, as gains and losses are not reclassified for results even at the time of their non-recognition/sale.

According to the analysis made by reference to 1 January 2018, of the combined application of the tests on the contractual characteristics of the contractual fluxes of the financial assets and on the business model of the Group, the most significant differences that arose in relation to the classification of the financial assets compared with the classification in IAS 39 are summarised as follows:

To / From	IFRS 9						
	Financial debt instruments					**Capital instruments**	
	Hold to Collect	**Hold to Collect & Sale**		**Fair value through results**		**Fair value through results**	
IAS 39	**Asset**	**Asset**	**Revaluation reserves**	**Asset**	**Retained earnings**	**Asset**	**Retained earnings**
Debt instruments							
Available for sale							
Fair value (Asset)	240,796,090	779,410,420	-	268,056,140	-	-	
Revaluation reserve	33,193,841	-	(19,313,776)	-	(37,863,399)	-	
Loans to clients							
Amortised cost (Asset)	-	270,133,782	-	-	-	-	
Reassessment of Fair Value	-	2,971,581	2,971,581	-	-	-	
Capital instruments							
Available for sale							
Of which measured:							
At cost (Asset)	-	-	-	-	-	30,478	-
Fair value (Asset)	-	-	-	-	-	1,465,350	-
Revaluation reserve	-	-	-	-	-	-	(39 808)
	273,989,931	**1,052,515,783**	**(16,342,195)**	**268,056,140**	**(37,863,399)**	**1,495,828**	**(39 808)**

Classification and Measurement – Financial liabilities

As per the analysis performed by the Group by reference to 1 January 2018, no significant impacts from the adoption of IFRS 9 were identified.

Impairment of credit

IFRS 9 introduces the concept of expected credit losses (ECL – Expected Credit Loss) which differs significantly from the concept of losses incurred contemplated in IAS 39, thereby anticipating the recognition of credit losses in institutions’ financial statements. IFRS 9 determines that the concept of impairment based on expected losses is applied to all financial assets except financial assets measured at fair value through results and equity instruments measured at fair value through equity. Also covered by the concept of expected losses of IFRS 9 are financial assets at amortised cost, debt instruments measured at fair value through equity, off-balance sheet exposures, financial leasing, other amounts receivable, financial guarantees and loan commitments not valued at fair value.

This conceptual alteration is introduced together with new criteria of classification and measurement of expected losses from the impairment of credit, requiring that financial assets subject to impairment be classified by different stages according to the evolution of their credit risk from the date of initial recognition and not depending on the credit risk on the reporting date:

◢ *Stage 1*: financial assets are classified in stage 1 whenever there is no significant increase in credit risk since the date of their initial recognition. For these assets should be recognised in results of the year an expected credit impairment loss resulting from events of non-fulfilment occurring during the 12 months after the reporting date;

- *Stage 2*: incorporates financial assets in which there has been a significant increase in the credit risk since the date of their initial recognition. For these financial assets, expected credit impairment losses are recognised throughout of the lifetime of the assets. However, interest will continue to be calculated on the gross amount of the asset;

- *Stage 3*: the assets classified in this stage show objective evidence of impairment on the reporting date, as a result of one or more events that have already occurred which result in a loss. In this case, will be recognised in results of the year the expected loss from the impairment of credit during the expected remaining life of the financial assets. Interest is calculated on the net book value of the assets.

Main drivers in the calculation of expected losses

The measurement of expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure on the date of the default (EAD), discounted at the initial effective interest rate of the contract.

As mentioned previously, the main difference between the impairment losses measured for financial assets classified in stages 1 and 2 is the respective time horizon in the calculation of the PD. The expected losses for the financial assets in stage 1 will be calculated using a 12 month PD while expected losses in stage 2 use a lifetime PD. The calculation of the expected loss for the financial assets in stage 3 always considers point-in-time and forward-looking information.

For the segments where there is no information available, but the external rating of the debtor can be determined, the Group used external information disclosed by rating agencies or market data, such as CDS spreads and Yields of bonds.

By reference to 1 January 2018, additional estimated impairment according to IFRS 9 is detailed as follows:

	Gross book value	Stage 1	Stage 2	Additional estimated impairment recognised on 01-01-2018
Debt instruments measured at amortised cost (2)				
Debt securities	273,989,930	273,989,930		-
Loans to clients	39,911,934	39,911,934		-
Financial assets measured at FVTOCI				
Debt securities	1,063,511,447	1,051,346,035	12,165,413	(2,254,307)
	1,377,413,311	**1,365,247,899**	**12,165,413**	**(2,254,307)**

(1) Financial assets acquired or generated on impairment of credit
(2) Including the respective off-balance sheet exposures.

Significant increase in the credit risk and definition of default

The transition of financial assets from stage 1 to stage 2 occurs when their credit risk increases significantly when compared with the credit risk on the date of their initial recognition. A significant increase in the credit risk should be determined through the analysis of quantitative and/or qualitative internal indicators used by the Group in the normal management of credit risk, thus requiring greater articulation of the accounting requisites with the credit risk management policies established by the Group.

The assessment of the significant increase in the credit risk is a new concept introduced by IFRS 9, which requires the application of a strong component of judgment. The existence of a significant increase in the credit risk is assessed for each financial asset, considering a set of quantitative and qualitative indicators.

The transition of financial assets from stage 2 to stage 3 occurs when these are in default. The main indicators of default used by the Group are:

Forward-Looking Information

The measurement of the expected credit losses for each stage and the assessment of significant increase in credit risk should consider not only information on past events, but also the current conditions and substantiated and reasonable forecasts of future events and economic conditions (i.e. forward-looking information).

The estimate and application of forward-looking information requires a significant degree of judgement. The risk factors (i.e. PD, LGD and EAD) used to estimate impairment losses were estimated so as to consider the evolution contemplated for the macroeconomic variables that are correlated with the evolution of the expected credit losses.

Given that the model of calculation of the risk factors used by the Group is based on market information, this being considered point-in-time and forward-looking, it is not necessary to make any further adjustments for the inclusion of this information.

The new model of calculation of expected losses incorporates point-in-time and forward-looking information, it can be expected that the amounts of impairment recognised under IFRS 9 will be more volatile when compared with the amounts recognised in IAS 39.

Regulatory capital

On 12 December 2017, the European Union, through Regulation (EU) No. 2017/2395 of the European Parliament, which alters Regulation (EU) no. 575/2013, established a transitory regime with the aim of reducing the impact of the adoption of IFRS 9 on the equity funds of financial institutions.

In the following table are presented the impacts in the ratio of capital of the Bank:

	31-12-2017	01-01-2018
Common Equity Tier 1 Capital	329,790,312	342,091,710
Tier 1 Capital	329,790,312	342,091,710
Total own funds	329,790,312	342,091,710
Risk weighted assets	731,483,271	1,074,512,599
Prudential Ratios		
Common Equity Tier 1 Capital	45,1%	31,8%
Tier 1 Capital	45,1%	31,8%
Total capital ratio	45,1%	31,8%
Leverage ratio	17,9%	18,1%

Hedge accounting

The new model of hedge accounting of IFRS 9 aims not only to simplify the process of creating and maintaining hedge relationships, but also to bring the accounting of these relationships with the activities of risk management of each institution into line, extending the eligibility of a greater number of hedging and hedged instruments, and also types of risk.

The new standard does not yet contemplate rules for hedge accounting called macro-hedging*,* as these are still defined by the IASB. Due to this limitation of IFRS 9, and with regard to hedge accounting, institutions may choose to maintain the accounting principles of the IAS 39 (only for hedge accounting) until the conclusion of the macro-hedging project by the IASB.

In this context, the Group decided to adopt the requisites of IFRS 9.

Disclosures

IFRS 9 requires a number of additional quite extensive disclosures, in particular with regard to the credit risk and calculation of expected losses. The Group is analysing the information currently available in order to identify potential additional information needs, and at the same time is implementing a process of collection and control of the data necessary to respond to these new requisites.

NOTE 44
SUBSEQUENT EVENTS

Implementation of IFRS 9

The implementation of IFRS 9 – Financial instruments results from the revision of IAS 39 and establishes new requisites regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of impairment on accounts receivable (through the expected loss model); and (iii) the requisites for the recognition and classification of hedge accounting. The impacts and respective transition adjustments are disclosed in the note relating to IFRS 9. It is of compulsory application after 1 January 2018.

Termination of stock subscription options

The Board of Directors of Banco de Investimento Global, S.A., within the scope of the powers granted to it, decided on 21 February to terminate 5 858 352 stock subscription options previously attributed to employees, workers, and members of the corporate offices of the Bank. As a result, the options plans were terminated and the respective regulations of 2005/Nov-2018, 2007/Mar-2020, 2010/Mar-2023, 2013/Jul-2026 and 2013/Apr-2017 mentioned in note 13, que in December 2017 were not economically material.

SUPERVISORY BOARDS

General Shareholders’ Assembly

President
José António de Melo Pinto Ribeiro

Secretary
João Manuel de Jesus Rufino

Board of Directors

Chairman and Chief Executive Officer
Carlos Adolfo Coelho Figueiredo Rodrigues

Vice Chairman and Chief Operative Officer
Nicholas Leo Racich

Executive Directors
Mário João Abreu Galhardo Bolota
Paulo José Caramelo de Figueiredo
Ricardo Dias Carneiro e Gomes de Pinho

Fiscal Board

José Fernando Catarino Galamba de Oliveira (President)
Pedro Rogério Barata de Ouro Lameira (Effective Member)
Jorge Alegria Garcia de Aguiar (Effective Member)

Effective Portuguese Statutory Auditor

PricewaterhouseCoopers & Associados,
Sociedade de Revisores de Contas, S.A., represented by
Aurélio Adriano Rangel Amado or
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